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THESIS

A FINANCIAL REVIEW AND COST - BENEFIT
ANALYSIS OF FUEL STORAGE TANK UPGRADES
AT THE NAVY EXCHANGE GAS STATION, NAVAL
POSTGRADUATE SCHOOL, MONTEREY,
CALIFORNIA

by

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June, 1993

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<p>This thesis examines the costing allocations at the Navy Exchange Gas Station, Naval Postgraduate School, Monterey California. From this a complete cost picture has been provided from which to improve cost data for future upgrade and maintenance decisions involving the facilities. This is becoming more critical in light of both the funding reductions currently being experienced by the military services, and the growing complexity and expense of complying with increasingly stringent environmental regulations. Additionally, this study determines if three facilities upgrade options faced by the Navy Exchange are financially justified and which of them is the most desirable.</p> <p>This study found that the Navy Exchange costing practices are sound, and with some minor adjustments, an even higher accuracy of record keeping could be attained. To meet environmental compliance concerns, Alternative II, replacing the underground storage tanks with new ones in 1998, is the best of the three options considered. Present value 1993 costs of this alternative is \$214,451 and the estimated payback is 15.5 months.</p>				
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A Financial Review and Cost - Benefit Analysis of Fuel Storage
Tank Upgrades at the Navy Exchange Gas Station,
Naval Postgraduate School, Monterey, California

by

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Lieutenant Commander, Civil Engineer Corps, United States Navy
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Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

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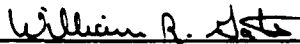
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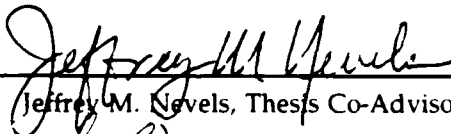


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ABSTRACT

This thesis examines the costing allocations at the Navy Exchange Gas Station, Naval Postgraduate School, Monterey California. From this a complete cost picture has been provided from which to improve cost data for future upgrade and maintenance decisions involving the facilities. This is becoming more critical in light of both the funding reductions currently being experienced by the military services, and the growing complexity and expense of complying with increasingly stringent environmental regulations. Additionally, this study determines if three facilities upgrade options faced by the Navy Exchange are financially justified and which of them is the most desirable.

This study found that the Navy Exchange costing practices are sound, and with some minor adjustments, an even higher accuracy of record keeping could be attained. To meet environmental compliance concerns, Alternative II, replacing the underground storage tanks with new ones in 1998, is the best of the three options considered. Present value 1993 costs of this alternative is \$214,451 and the estimated payback is 15.5 months.

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TABLE OF CONTENTS

I. INTRODUCTION	1
A. BACKGROUND	3
B. OBJECTIVES	5
C. RESEARCH QUESTIONS	5
D. SCOPE, LIMITATIONS, AND ASSUMPTIONS	6
1. Scope	6
2. Limitations	8
3. Assumptions	9
4. Study Organization	10
II. BACKGROUND	11
A. THE NPS NAVY EXCHANGE GAS STATION	11
B. ENVIRONMENTAL REGULATIONS	15
III. METHODOLOGY AND DATA BASE	19
A. BACKGROUND RESEARCH AND INTERVIEWS	19
1. Background Research	19
2. Interviews	20
B. DATA COLLECTION AND SURVEY	21
1. Data Collection	21
2. Survey	21
C. GAS STATION OPERATING COST SUMMARY	23

D.	GAS STATION REVENUE SUMMARY	23
E.	ANALYSIS OF DATA	24
IV.	PRESENTATION OF DATA	25
A.	BENEFITS/COSTS	25
1.	SC05 Report Categories For Department J-3 .	26
2.	SC06 Report Categories For Department J-3 .	31
B.	STATION UPGRADE ALTERNATIVES	35
1.	Alternative I - Retrofit Existing USTs . . .	37
2.	Alternative II - Replace Existing USTs With New	38
3.	Alternative III - Replacement with Aboveground Storage Tanks	38
4.	Alternative IV - Remove Existing USTs and Close the Gas Station	39
C.	LOCAL GAS STATION PRICE SURVEYS	40
D.	CUSTOMER GAS STATION SURVEY	41
E.	COSTS EXEMPTIONS FOR THE NEX GAS STATION . . .	41
1.	NEX Costs Breaks	45
V.	DATA ANALYSIS	49
A.	BENEFITS/COSTS	49
1.	SC05 Report Adjustments For Department J-3 .	49
2.	SC06 Report Adjustments For Department J-3 .	57
B.	BENEFIT/COST PROJECTIONS	59
1.	Adjusted SC05 And SC06 Reports	59

2. Net Contribution Projections	59
C. ANALYSIS OF GAS STATION UPGRADE ALTERNATIVES .	66
1. Alternative I - Retrofit Existing USTs . . .	67
2. Alternative II - Replace Existing USTs with New	68
3. Alternative III - Replacement With Aboveground Storage Tanks	68
4. Alternative IV - Remove the USTs and Close The Station	72
5. Alternative Present Value And Payback Comparisons	72
D. LOCAL GAS STATION MARKET PRICE SURVEY	75
E. CUSTOMER GAS STATION SURVEY	77
1. Customer Value of the Gas Station	80
2. Gas Station Affect on Main NEX Store Sales .	84
3. Customer Sensitivity to Fuel Prices	92
F. VALUE OF SAVINGS RECEIVED FROM SOCIETY	95
1. Consumer Savings	97
2. Tax Savings	97
VI. CONCLUSIONS AND RECOMMENDATIONS	99
A. COSTING PRACTICES OF THE NEX GAS STATION . . .	99
1. Internal Costing Practices	99
B. GAS STATION UPGRADE ALTERNATIVES	100
C. GAS STATION CUSTOMER SURVEY	101
1. Customer Value of Gas Station	101

2. Gas Station Location Effect on Main NEX Store	
Sales	102
3. Customer Sensitivity to Fuel Prices	102
D. COSTS OF SAVINGS PROVIDED TO THE NEX GAS	
STATION	103
E. FURTHER RECOMMENDATIONS	103
1. Recommended Changes to Current NEX Practices	104
2. Further Research Questions	105
F. SUMMARY	107
LIST OF REFERENCES	109
BIBLIOGRAPHY	111
APPENDIX A. ENVIRONMENTAL REGULATIONS	112
APPENDIX B. SCO5 FINANCIAL REPORTS	130
APPENDIX C. SCO6 FINANCIAL REPORTS	136
APPENDIX D. RADIAN CORPORATION UPGRADE ESTIMATES	142
APPENDIX E. CUSTOMER SURVEY COMMENTS	148
INITIAL DISTRIBUTION LIST	156

I. INTRODUCTION

With shrinking defense dollars a reality in the 1990s, appropriated funds for facilities, maintenance, and operations are diminishing. Navy exchanges will need to rely more heavily on self-generated profits to sustain themselves. This paper focuses specifically on the fueling operations at the Navy Exchange Gas Station, Naval Postgraduate School (NPS), Monterey, California. However, the circumstances faced, and the approach used to review this entity, have similarities with many of the 108 other Navy Exchange operated fueling facilities throughout the Continental United States (CONUS).

Additional pressures beyond funding shortfalls are faced by the gas stations as increasingly more stringent environmental regulations take effect. These new laws and regulations require expensive equipment and facility upgrades to avoid costly clean-ups and/or fines. The State of California is well known as having some of the toughest environmental laws in the country. Department of Defense policy is to have bases comply with the relevant state and local environmental laws.

In October 1992, the Federal Facility Compliance Act of 1992 was signed by President Bush. It furthered strengthened DOD environmental policy. This act makes federal facilities subject to administrative orders, fines and penalties from the

Environmental Protection Agency or authorized state/local agencies for non-compliance with solid waste or hazardous waste regulations. The act also removes sovereign immunity, previously afforded to federal activities in environmental matters. Indications are that any fines and penalties will be paid from appropriated funds other than the past "judgement account." This change greatly increases the environmental liability faced by all DOD activities.

In July 1992, during annual tank testing, the Navy Exchange at NPS Monterey discovered that a 10,000 gallon underground storage tank was cracked. An undetermined amount of fuel was lost into the soil before the damage was discovered. This requires a follow-on ground study to determine the amount of contamination and the extent of clean-up required.

This study will examine current costing practices of the Navy Exchange Service Station's Fueling Operations, Department J-3. It will also review the costs and benefits of future fueling facility upgrade options available to the Navy Exchange and Postgraduate School. Recommendations will be aimed at improving costing figures and minimizing future environmental liabilities. However, this study will not discuss which funding sources should be used to implement the recommendations, nor which department at the Naval Postgraduate School should be the action code.

A. BACKGROUND

Navy Exchange service stations are big business. Annual worldwide fuel sales were \$134.6 million for NEX fiscal year 1992 which ended in January 1993. These sales have resulted in an average profit of 11.5 percent.[Ref. 1] The evolution of stricter environmental regulations and appropriated funding cuts make it prudent to consider all relevant costs in current and future upgrade decisions.

The operation of modern Navy Exchange stores and outlets can be traced back to 1946. A 1945 Secretary of the Navy study, headed by Captain Wheelock H. Bingham, SC, USNR, recommended consolidating Navy resale activities into a chain of retail stores with centralized direction and guidance [Ref. 2:p. 13]. As early as 1939, the Navy operated service stations through the Ships Stores program, the forerunner of the Navy Exchange system [Ref. 3].

In 1949, the House Armed Services Committee published the Armed Services Exchange Regulations (ASER). These regulations apply to exchanges operated in the continental United States, and provide a list of authorized resale items exchanges can carry. Since being updated and revised in 1956, the list has remained relatively constant. The House Armed Services Committee also impacts exchange policy through statements and decisions reached during committee hearings. The 1949 ASER was accompanied by several committee statements: the committee would continue to be concerned with competition

between the exchanges and local merchants [Ref. 4:p. 3551], exchanges would not be the sole provider of goods and services for the serviceman [Ref: 4:p. 3757], and exchanges would not supply the total funds needed for recreational and welfare activities [Ref. 4:p. 3543].

The Navy Exchange Mission statement is set down in the Navy Exchange Manual as follows:

The mission of an exchange is to provide a convenient and reliable source from which authorized patrons may obtain at the lowest practicable cost, articles and services required for their well-being and contentment; to provide, through profits, a source of funds to be used for the welfare and recreation of Naval personnel; and to promote the morale of the command in which it is established through the operation of a well managed, attractive and serviceable exchange. [Ref. 5:para. 1211]

The Navy Exchange is not a traditional business "profit-oriented" operation, but the profit objective is manifested in its overall mission. This mission requires generating revenues above minimum operating costs to sustain operations and provide funding for base morale, welfare and recreation (MWR) programs. In 1991, MWR received 83.3 million dollars from 1990 Navy Exchange sales of two billion dollars. The Navy's net profit in 1990 exceeded 100 million dollars for the first time, though projected defense reductions are expected to reduce future total sales volume by up to 20 percent [Ref. 6].

For Navy exchange service stations in CONUS, the Navy Exchange Manual provides general operating goals for fueling operations, Department J-3 Fuels. Targets to Sales of Gross

Profit 14%, Expenses 7%, and Net Contribution 7% have been established for the service stations. The NPS NEX gas station's past five fiscal year averages are; Gross Profit 14.4%, Expenses 5.6%, and Net Contribution 12.6%.

B. OBJECTIVES

This study will identify how costing allocations are made at the Navy Exchange Gas Station. It will then review these practices to provide a complete cost/benefit picture. This information can be used to improve the cost data for future upgrade and maintenance decisions involving the facilities. This is becoming more critical in light of both the funding reductions currently being experienced by the military services, and the growing complexity and expense of complying with increasingly stringent environmental regulations.

Additionally, this paper will determine if the facilities upgrade options faced by the Navy Exchange are financially justified, and which one of the three possible fuel tank upgrade options is the most desirable. A default option to close the service station has also been kept open in the event data analysis reveals all upgrade options are too costly.

C. RESEARCH QUESTIONS

The primary research question is: what are the complete costs of operating and maintaining the Navy Exchange Service Station fueling operations at the Naval Postgraduate School,

Monterey, California? The reported costs will be verified and modified where necessary to capture all costs incurred in Department J-3, Fueling Operations. Secondly, the analysis will consider the impact of mandatory compliance with increasingly stricter environmental regulations and growing environmental liabilities faced by the Navy Exchange Gas Station. Potential facility upgrade options will be reviewed considering these factors.

A third concern is to estimate the value placed on the Navy Exchange gas station by the authorized DOD patrons. This will help determine the demand for continued Navy Exchange fueling operations, considering that several commercial service stations operate nearby. This analysis will consider savings provided to DOD personnel through exchange fuel purchases compared to the civilian market. This depends on the customer's price sensitivity to fluctuating fuel prices and the location of the service station. Located adjacent to the main NEX retail store, the gas station is a potential business draw to the main store.

D. SCOPE, LIMITATIONS, AND ASSUMPTIONS

1. Scope

In this study, data for one individual activity, the Navy Exchange Gas Station, Naval Postgraduate School, Monterey, CA, was collected and analyzed. Only the Fuels Department, Cost Center J-3, was examined, separating this

portion of the service station from the Automotive Service Department, J-5. Civilian service station cost categories for which the NEX gas station has no equivalent were estimated at the prevailing rates for a similarly sized civilian station. Though not used in the cost analysis, this shows where the Exchange Station has cost advantages compared to civilian stations. These costs include insurance, federal and some state taxes, local business fees, and local sales taxes. The government is exempt from these costs. The study also identifies NPS station funds used by the exchange service station, but not recorded against NEX cost accounts.

In addition to reviewing the NEX gas station, the NPS student population was surveyed to gauge the value placed on the service provided by the Navy Exchange gas station.

The study did not review any future site locations for the NEX gas station that might minimize potential environmental hazards. For example, siting the facility in an area with a lower water table would reduce environmental risks. At the current location, the water table is recorded as 18 feet below the surface, but it has been recorded as high as six feet from the ground surface.

No other departments onboard the Naval Postgraduate School were considered for funding needs. Thus, it is impossible to rank competing requirements for limited appropriated funds.

2. Limitations

One of the study's main limitations was assessing the cost of removing and reclaiming the site of the leaking fiberglass underground storage tank (UST). The tank removal is straightforward, however soil contamination will only become known through physical testing.

Other limitations are the uncertainty of whether military installations will remain in the Monterey area and the requirements of future environmental regulations. The scheduled downsizing of nearby Fort Ord, and the possible closure of the Defense Language Institute (DLI), will have an undetermined impact on the customer base and future sales of the Navy Exchange Service Station. Additional uncertainty arises from environmental regulations. They are continually becoming stricter. This adds costs to compliance efforts. Without knowing future laws, the study focused on meeting current laws. Compliance milestones are already identified for upcoming mandated program changes.

In addition, it is difficult to quantify how much business the gas station draws to the main retail store, and how strongly the gas station is valued by the customers. These questions do not lend themselves to empirical data.

The volume of total fuel sales by year and type of fuel was not available for the financial periods reviewed. This made it impossible to ascertain with certainty if sales

dollar fluctuations resulted from changes in the volume of fuel sold or the price of the fuel sold.

The size of the customer base of the NEX gas station was not available with any level of accuracy due to the lack of consolidated data on the number and location of military retirees and their dependents living in the Monterey Bay area. Similarly, data on the number of active duty service members, and their dependents, who are registered at other area military installation but use the NEX gas station is not available.

Finally, regardless of the study's recommendations, funding will be required for the upgrades. The study's recommendations are made without considering future funding climates. Funding limits may actually lead to implementing a sub-optimal upgrade alternative.

3. Assumptions

Thus study assumes that the Navy Exchange Gas Station will continue to operate in the future. To do so will require facility upgrades to meet scheduled 1998 environmental legislation. It was also assumed that appropriated station funding will continue to decrease as the military services downsize. This requires more accurate and defensible costing figures.

Further more, it is assumed that the amount of annual fuel volumes sold will remain relatively constant, and that

sales dollar values are closely tied to fluctuations in the consumer price index for motor fuels.

4. Study Organization

Chapter I is an introduction to the research project.

Chapter II presents a brief history of the Navy Exchange CONUS fueling operations, focusing on the NPS gas station. This is followed by a discussion of the environmental regulatory climate faced by the NPS Navy Exchange service station.

Chapter III discusses the methodology used to collect data and associated problems.

Chapter IV presents the data, including costs, benefits, a gasoline market price survey, a customer survey, and facilities upgrade alternatives to meet scheduled 1998 environmental regulations.

Chapter V analyzes and interprets the data, and reviews the upgrade alternatives.

Chapter VI includes conclusions, recommendations and general comments on the research process, including areas of possible future study.

II. BACKGROUND

A. THE NPS NAVY EXCHANGE GAS STATION

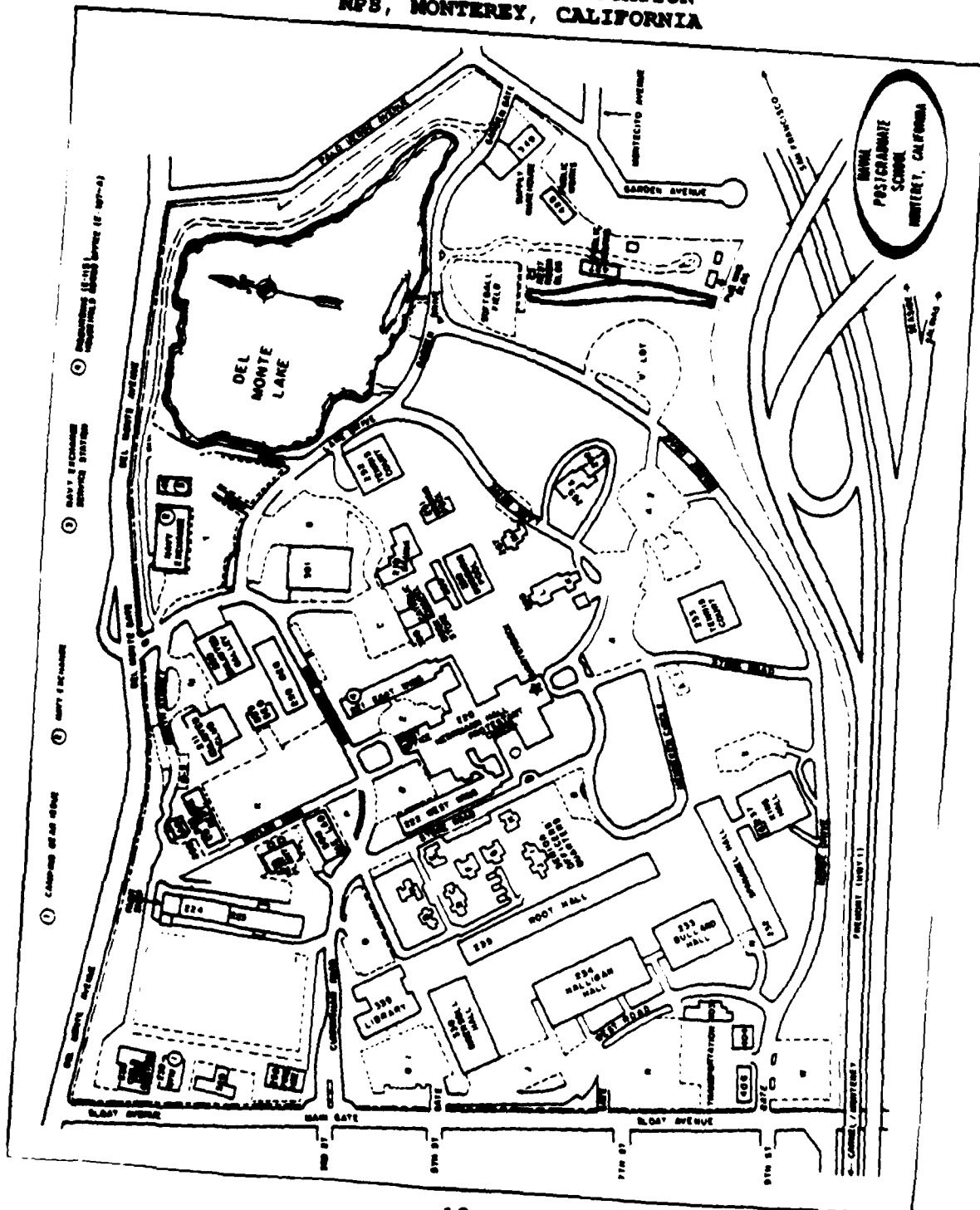
The Navy Exchange gas station is located on the Naval Postgraduate School's western boundary, adjacent to Del Monte Lake. A location map is on the following page, Exhibit 1. The ground water table is approximately 18 feet below the ground surface at this location, but it has been recorded as high as six feet from the ground surface. Regulations are more stringent for sites having ground water levels less than 20 feet below the ground surface, and proximity to Del Monte lake raises concerns about potential fuel spills.

The exact date of the gas station's initial operation is not documented by base records at the Public Works Department or the Public Affairs Office. However, a Navy Exchange Service Station employee, who began working for the Exchange in 1965, indicated that the service station was originally located near the present site of the NPS Fire Station. He believed the Navy gas station began operating at that original location sometime in the 1940s. [Ref. 7]

A review of NPS Plant Property Records indicates that the present service station was built in 1970 at a cost of \$233,033. Operations began in 1971 or 1972. The current plant value of the facility is carried at \$753,000. [Ref. 8]

EXHIBIT 1

NEX GAS STATION LOCATION NPS, MONTEREY, CALIFORNIA



The NPS Exchange gas station is typical of most Navy Exchange service stations. The service station has three underground gasoline storage tanks. Three underground tanks is the average number found at Navy exchange stations. The average age of the tanks at NPS is 22.7 years. This compares closely with the Navy exchange wide average tank age of 21.9 years for the exchange's 369 total tanks.[Ref. 3] The underground storage tanks (UST) service three fuel islands through piping that links with sixteen fuel nozzles. Gasoline sales are collected by a clerk. The clerk also runs a small automotive parts store and collects payments for work completed by exchange mechanics in the adjacent automotive shop, Department J-5.

The three tanks at the Navy Exchange service station include Tank # 348-1, a 10,000 gallon single-walled fiberglass tank constructed in 1973; Tank # 348-2, a 15,000 gallon single-walled steel tank constructed in 1969; and Tank # 438-3, a 20,000 gallon single-walled steel tank also constructed in 1969. Existing records do not indicate the exact dates the tanks were installed and placed in service, so manufactured dates are used for this study (the earliest the two steel tanks could have been installed was 1970 when construction began on Building 348).

The fiberglass tank, # 348-1, was emptied and taken out of service in July 1992. A leak was discovered at the base of the filler neck during an annual tank pressure test. A

contract is being processed to remove the damaged tank and remediate any soil contamination. One of the station's three service islands was taken out of operation when the tank was closed because of piping configurations.

With the two remaining serviceable steel tanks, the Navy Exchange sells regular unleaded and super unleaded gasoline. This gasoline is received through a regional NEX contract that services twelve other Navy/USMC facilities in central California. The contract is administered by the Navy Exchange Center (NEXCEN) in San Diego, California. The current vendor is Exxon, but the gasoline brand can change depending on the supply contract in place.

The station has a new vapor recovery system. New fuel lines were installed from the tanks to the pumps in 1991 [Ref. 9]. In addition, the tanks have an automatic inventory control monitoring system. However, the inventory control system is not sensitive enough to meet leak detection requirements under the existing environmental laws. It needs to be replaced, or supplemented, with a more accurate leak detection and alarm system.

Gasoline sales for the NPS Navy Exchange have been very profitable. Gross Profits to Sales have averaged 15.6%, and Net Contribution to Sales 10.4% during FY 1982 through FY 1992. (The Navy Exchange Fiscal Year begins and ends after the third week of January.)

B. ENVIRONMENTAL REGULATIONS

The Navy Exchange gas station falls under the environmental purview of the state of California Water Resources Control Board. This agency has incorporated much of the Code of Federal Regulations (CFR) for Underground Storage Tanks (40 CFR 280) into the California Code of Regulations (CCR). The Federal Regulations were developed under the 1984 Hazardous Solid Waste Amendments (HSWA) to the Resource and Recovery Act (RCRA). The Federal regulations allow the State of California to regulate underground Storage tanks (USTs) under state law. Locally, the Monterey County Board of Health administers the UST program and conducts periodic enforcement inspections of the Naval Postgraduate School.

The liability of Federal facilities greatly increased after the Federal Facility Compliance Act of 1992 was enacted. Signed by President Bush in October 1992, the act subjects federal facilities to administrative orders, fines and penalties from either the Environmental Protection Agency or authorized state and local agencies if they do not comply with solid or hazardous waste regulations. The act also removes sovereign immunity, previously afforded to federal activities in environmental matters. It appears that any future fines and penalties will have to be paid from appropriated funds, rather than from central "judgement accounts." The current legal climate is intended to increase incentives for all federal activities to comply with environmental regulations.

The Radian Corporation completed a retrofit study of USTs at the Naval Postgraduate School in July 1992. They noted several areas in the California Code of Regulations (CCR) Title 23 (Waters) with which NPS must comply:

- New underground storage tank construction and monitoring standards;
- Existing underground storage tank monitoring standards;
- Release reporting and initial abatement requirements;
- Repair and upgrade requirements;
- Closure requirements;
- Categorical and site-specific variance procedures; and
- Permit application, quarterly reports, and trade secret requirements.

Specific applicable environmental regulations are summarized in Appendix A.

The Navy Exchange must take action to fully comply with environmental regulations. The 10,000 gallon cracked fiberglass tank must be removed and any contaminated soil remediated. Initial attempts have been made to solicit small purchase bids to remove the tank [Ref. 10] No bids had been received as of March 1993. Small purchase regulations prohibit awards above \$25,000. The most recent estimates place the tank removal costs at around \$50,000 [Ref. 11].

The current fuel inventory monitoring system is not sensitive enough to qualify as an approved leak detection system. Leak detection equipment will be required on all

existing tanks by 22 December 1998, per CCR 23, Article 4, Section 2641. The system in place is designed to detect leaks of 10.0 gallons per hour. Current environmental regulations require a system capable of detecting leaks of 0.1 gallons per hour. As an alternative to tank level monitors, vadose zone or groundwater monitoring equipment may be installed below the tanks. The vadose zone is the ground layer above the permanent ground water level. This zone is monitored because it can occasionally contain rain water that could be contaminated from fuel spills. In the absence of such systems, the regulations allow continued operations of service stations with the use of monthly statistical analysis called Statistical Inventory Reconciliation (SIR). The Navy Exchange is using this procedure to comply with the regulations. Daily inventory changes are determined from UST stick readings. They are reviewed under SIR and compared to gasoline sales volumes over a monthly period. Discrepancies in the SIR records are used to pinpoint leaks that may otherwise go undetected. Firms authorized to conduct SIR analyses are identified by the State of California. The cost is borne by the using activity.

Annual tank pressure testing is required for USTs using SIR, according to CCR 23, Article 4, Section 2641. Under current arrangements, NPS funds the tests for all six of the base USTs requiring it. The three other USTs requiring testing belong to the NPS Public Works Department. The cost

to test the three Navy Exchange tanks was \$1,540 in 1992, and
\$1,250 in 1991 [Refs. 12 & 13].

III. METHODOLOGY AND DATA BASE

A five step methodology was used to determine costs and benefits of operating the Navy Exchange gas station:

1. Background research and interviews
2. Data collection/ customer survey
3. Gas station operating cost summary review
4. Gas station revenue summary review
5. Analysis of data

A. BACKGROUND RESEARCH AND INTERVIEWS

1. Background Research

This study began by reviewing the relevant literature in several areas, including:

- Existing studies on the Navy Exchange system;
- State and Federal environmental regulations relevant to gasoline service stations;
- The mission and policy statements set forth in the U.S. Navy Resale Manual regulations on Navy Exchange gas stations;
- Two recently completed local contracted studies on Naval Postgraduate School Underground Storage Tanks;
- Articles in petroleum trade journals to learn industry trends in service station operating methods and storage tank configurations;
- Government Accounting Office (GAO) reports on environmental issues and military exchanges;
- Minutes from a House Armed Services Congressional Subcommittee hearing on military exchanges;

- Financial records of past construction and maintenance contracts;
- The five year financial operating records for the NPS Navy Exchange, FY 1988 through FY 1992, and;
- Local taxes and business license fee structures for nearby civilian gas stations.

2. Interviews

Initial and follow-up interviews were conducted with the NEX Services Operations Group headquarters in Staten Island New York, the NPS NEX Officer, the Exchange Services Outlet Manager, the Service Station Manager, the NEX Support Services Supervisor, the NPS Public Works Officer, the NPS Environmental Coordinator and the NPS Resident Officer in Charge of Construction. These interviews recorded background information and identified support inter-relationships between NPS departments and organizations with ties to the NEX service station. The interviews primarily helped identify government costs not recorded in existing Navy Exchange service station financial statements. These costs were absorbed by other NPS departments. The interviews also identified costs that would have occurred if the service station was a civilian entity. Finally, interviews were conducted to determine how personnel costs and expenses for budgeting and reporting are derived.

B. DATA COLLECTION AND SURVEY

1. Data Collection

The majority of the cost and revenue data was obtained from records maintained by the Navy Exchange on standard NEX cost reports. Five years of data was reviewed, beginning with FY 1988 and ending with FY 1992. (The NEX fiscal year begins and ends in January.) Single event costs, such as construction and maintenance projects, were collected from the NPS Resident Officer in Charge of Construction Office. Future upgrade costs were referenced from Naval Facilities Engineering contract studies concerning NPS Underground Storage Tank Management Plans [Ref. 14]. 1992 fuel price data at NPS, Fort Ord and local service stations was also collected.

Capitalization costs of the service station facilities were not included because the age of the physical plant was beyond the twenty year time frame over which assets are normally fully depreciated. Costs for the vapor recovery system, installed in 1991, were capitalized and tank testing was included as an annual expense.

2. Survey

A customer survey was conducted to determine the value of the Navy Exchange gas station's service to the active duty student population. Six hundred surveys were randomly distributed among the 1,800 students at the Naval Postgraduate

School, excluding foreign exchange officers. Also excluded were approximately 200 active duty NPS staff personnel, and an undetermined number of military retirees and their dependents who use the NEX gas station. Initially, attempts were made to obtain access to retired personnel through the NPS vehicle registration records. However, these records were not available due to Privacy Act concerns. An estimated 7,000 retired personnel with 17,000 dependents reside in the Monterey Bay area, according to the Fort Ord Re-use Task Force, a civilian organization chartered to study conversion uses for Fort Ord after it downsizes [Ref. 15].

The sample population of active duty students was considered sufficient to gauge the feelings of exchange patrons. The Navy Exchange charter is directed at providing active duty service members with products at discounts. Retirees in an area are able to capitalize on services if available. While Navy Exchange financial personnel estimate that retirees comprise approximately 60% of the exchange's business, the exchange would not be able to operate a service station without the active duty student population. The survey also provided some feedback on whether the gas station draws patrons to the adjacent main exchange store. Finally, the survey indicated whether patrons are aware of prices charged in the nearby civilian market.

Assuming a normal population of 1,800, 600 surveys were randomly distributed. A total of 189 surveys were

returned, providing a 95% confidence level, with a plus or minus 6.8% margin of error.

C. GAS STATION OPERATING COST SUMMARY

Operating costs were collected from existing NEX financial reports for the NPS Exchange outlets, specifically the SC05 and SC06 reports for the period FY 1988 through FY 1992. Using a five year period smooths the costs and shows how they are related. Budget plans were compared to actual performance to determine whether year to year budgeting has been accurate.

Additional government costs were collected from sources outside of the Navy Exchange for improvements and maintenance not funded by the exchange, and for cost breaks enjoyed by the exchange on federal taxes, property taxes, business license taxes, and insurance.

Future tank and facility upgrades to comply with environmental regulations were obtained from a study completed in July 1992. These were done for the Naval Facilities Engineering Command by Radian Corporation. Adjustments were made to Radian Corporation's estimates for improved accuracy due to situations that have changed since then.

D. GAS STATION REVENUE SUMMARY

Navy Exchange gas station revenues were taken from the NEX SC05 financial reports for the years FY 1982 through FY 1992. An 11 year performance period was used to review sales, gross

profit and net contribution. The data were used to determine conservative future net contribution values. President Clinton's proposed BTU energy tax will raise expenses at competing commercial gas stations but will not affect the NEX service station's costs. The NEX service station is exempt from federal fuel taxes. Any increased price differential should increase gasoline sales and revenues at the NPS station, assuming other costs remain constant compared to civilian stations.

E. ANALYSIS OF DATA

Chapter V analyzes the data collected and applies cost/benefit methodology to determine if costing methods in use are accurate, and which of three upgrade alternatives to meet 1998 environmental regulations is best justified.

The analysis includes operating costs not currently applied to the NPS gas station, but absorbed by other departments or agencies of the Federal government. The analysis also considers the tangible and intangible benefits service members receive from the exchange gas station, whether the gas station draws business to the main exchange, and if customers are price sensitive to fuel costs.

IV. PRESENTATION OF DATA

Chapter IV presents financial and survey data collected during the course of this study. Fueling operations at the gas station have been very profitable for the Navy Exchange. Gross profits averaged 15.6% of sales, and net contributions 10.4% of sales, over the past eleven fiscal years (FY 1982 through FY 1992).

A. BENEFITS/COSTS

The Navy Exchange collects costs using standard cost reports established by the Navy Exchange system. The primary references used in this review were the SC05 and SC06 reports for Department J-3, Fuels. Reports for the five year period FY 1988 through FY 1992 were collected to review accounting practices. In addition, eleven years of data, FY 1982 through FY 1992, was reviewed for performance of sales, gross profits and net contributions. These fiscal year periods provide a reference for trend identification. They are the most recent complete fiscal year data currently available. The five year period is presented in comparative financial statements. These include budgeted sales and budgeted gross profits compared to actual sales and gross profits. The station has been in continuous operation during the time periods reviewed,

with the exception of disruptions in June and September of 1991 to install a fuel line vapor recovery system.

The additional six years of sales, gross profit and net contribution data was collected to improve future performance predictions. Future net contribution predictions are needed because one of the potential upgrade options has a different impact on revenue in-flows than the others. A summary of historical data is presented in Table 1.

For the review of the five year financial data, each report is discussed in the order categories appear on the SC05 and SC06 reports for Department J-3, Fuels. Financial categories are placed together on tables to show the five year trends.

1. SC05 Report Categories For Department J-3

The SC05 Report provides an overall department cost/performance summary. The SC05 reports for FY 1988 through FY 1992 are contained in Appendix B. Table 2 provides a comparative five year statement with selected categories. A discussion of each category follows.

a. Budgeted Sales

The NEX Service Outlets Manager estimates the annual budgeted sales category by 1 December of the year

TABLE 1

**SUMMARY OF SALES, GROSS PROFIT, AND NET CONTRIBUTION
FY 1982 - 1992**

**DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA**

(DOLLARS)

FISCAL YEAR	SALES	GROSS PROFIT	NET CONTRIBUTION
1982	1,635,684	167,358	72,433
1983	1,685,413	201,765	124,184
1984	1,665,592	218,257	146,500
1985	1,637,458	207,867	136,024
1986	1,092,263	200,213	138,265
1987	1,271,453	208,371	140,037
1988	1,370,367	260,509	182,256
1989	1,569,788	285,290	186,952
1990	1,863,381	323,800	230,619
1991	1,285,657	218,810	147,803
1992	1,799,020	336,459	248,120
AVERAGE	1,534,189	238,973	159,381

TABLE 2
SC05 REPORT SUMMARY
DEPARTMENT J-3, FUELS
FIVE YEAR PERIOD

(DOLLARS)

	FY 88	FY 89	FY 90	FY 91 **	FY 92
Budgeted Sales	1,254,600	1,333,949	1,541,238	1,553,000	1,497,500
SALES	1,370,367	1,569,788	1,863,381	1,285,657	1,799,020
COGS	1,109,858	1,284,498	1,539,581	1,066,847	1,462,561
Budgeted Gross Profit	183,120	194,402	231,186	248,480	163,228
GROSS PROFIT	260,509	285,290	323,800	218,810	336,459
PAYROLL	51,466	55,471	55,008	43,382	57,950
EMPLOYEE BENEFITS	12,276	12,816	13,056	8,986	11,459
OTHER DIRECT EXPENSES	13,443	29,582	24,829	18,393	17,304
EQUIP. > DEPREC.	1,065	466	287	245	1,625
TOTAL EXPENSES	78,250	98,315	106,236	71,006	88,338
NET DEPT. CONTRIB.	182,256	186,952	230,619	147,803	248,120

** Gas station was closed for two non-consecutive months during FY 91

preceding the performance period. The new fiscal year period begins with the start of the fourth week in January.

The budgeted sales figure is based on subjective estimates of individual monthly performance. These figures are combined to arrive at a yearly figure. The manager uses personal assessments, market trends, and previous departmental performance to determine a value. The budgeted sales number is important because it forms the basis for determining a local exchange's overhead charges. This is used to set the Navy wide NEX contribution to MWR programs and the total overhead charges paid to NEX headquarters for support functions.

b. Sales

Total actual sales are recorded from daily fueling sales receipts.

c. Budgeted Gross Profit

The budgeted gross profit is estimated by the Services Manager in concert with the budgeted sales figures. This is also based on subjective judgements and historical trends.

d. Gross Profit

The gross profit is calculated by subtracting the cost of goods sold (fuel) from actual sales.

e. Payroll

At the NEX NPS gas station, the payroll figures include two full time and three part time employees. One of the full time employees is the on-site supervisor for the service station. This supervisor's time is totally allocated to Department J-3, even though the position oversees three Departments: J-3, Fuels; J-5, the Automotive Shop; and H-9, the Automotive Parts Store.

f. Employee Benefits

Recorded employee benefits are compiled from breakdowns provided by the SC06 Report. These breakdowns include several categories from the Navy Chart of Accounts in the Navy Exchange Manual, including: Provisions for Annual Leave, Account 312; Taxes and FICA, Account 316; and Retirement Annuity contributions, Account 318.

g. Other Direct Expenses

Like employee benefits, other direct expenses include breakdowns from the SC06 Report. They are: Stationary and Supplies, Account 313; Repairs and Minor Replacement, Account 315; Utility Expense, Account 317; and Miscellaneous Expenses made up of two sub-accounts - Telephone, Account 303, and Miscellaneous Direct Expenses, Account 319.

h. Equipment Depreciation

The equipment depreciation category includes any fixed asset over \$1,000 in value at the time of purchase. A master account is kept at NEX headquarters in New York. They track equipment on a depreciation schedule for each individual exchange. Depreciation is charged to the local exchange during the fiscal year. The depreciation schedule varies from item to item, depending on whether it is building improvements, computer equipment, or other types of equipment. For the NEX gas station, this category contains a \$3,540 cash register system purchased in 1991 and a \$3,743 service island kiosk purchased in March 1992.

2. SC06 Report Categories For Department J-3

The SC06 Report contains a more detailed cost breakdown than the SC05 Report. The SC06 reports for FY 1988 through FY 1992 are contained in Appendix C. The SC06 totals build some of the category totals in the SC05 Report. Table 3 provides a comparative five year statement with selected categories. A discussion of each category follows.

a. Provision for Annual Leave, Account 312

The length of employment service determines the amount of annual pre-established leave benefits for each employee. The total of all calculated leave benefits for the five employees in Department J-3 is charged to this account.

TABLE 3
SC06 REPORT SUMMARY
DEPARTMENT J-3
FIVE YEAR PERIOD

(DOLLARS)

	FY 88	FY 89	FY 90	FY 91 **	FY 92
ANNUAL LEAVE PROVISION	5,624	6,076	6,657	4,805	6,551
TAXES- FICA	4,332	4,580	4,679	3,486	4,485
RETIREMNT ANNUITY	2,319	2,160	1,178	694	422
TOTAL EMPLOYEE BENEFITS	12,276	12,816	13,056	8,986	11,459
STATION- ARY & SUPPLIES	102	799	1,459	1,105	1,006
REPAIRS & MINOR REPL. MNTS	4,282	3,461	5,799	8,250	8,051
UTILITY EXPENSE	5,347	5,178	9,375	6,280	7,099
MISC. EXPENSE	3,710	20,144	8,195	2,757	1,147
TOTAL OTHER DIRECT EXPENSES	13,443	29,582	24,829	18,393	17,304
TOTAL EXPENSES	25,719	42,398	37,885	27,379	28,763

** Gas station was
closed for two
non-consecutive
months during
FY 91

b. Taxes - FICA, Account 316

The taxes for FICA (Federal Insurance Compensation Act) are computed for all Department J-3 employees at a rate of 7.59% of wages earned.

c. Retirement Annuity Contribution, Account 318

The costs allocated to the Retirement Annuity Contribution are matching contributions for employees who choose to voluntarily participate in the program.

d. Total Employee Benefits

This grouping includes the sum of the three previously discussed accounts: Provision for Annual Leave, Taxes - FICA and Retirement Annuity Contribution. It is included on the SC05 Report.

e. Stationary and Supplies, Account 313

Charges to stationary and supplies include costs of cash register tapes and sales receipts, courtesy paper towels and window washing supplies for gas station patrons. Also included are small quantities of absorbent material kept on-hand for minor oil and fuel spill clean-ups.

f. Repairs and Minor Replacements, Account 315

Repairs to pumps and associated equipment for individual occurrences under \$1,000 are captured in Repairs and Minor Replacements. This includes replacement of hoses and nozzles damaged in the normal course of business. The

majority of the recorded charges have been for service calls by a local company to repair gasoline pumps and dispensers.

g. Utility Expense, Account 317

Total utility expenses include charges for electricity, water and sewage, and natural gas. Building 348 houses the automotive mechanics, Department J-5, the automotive parts store, Department H-9, and the cashier and supervisor for the fueling operations, Department J-3. The building is metered for electrical usage. The total usage is allocated to the different departments based on Public Works Department engineering estimates. These cost figures also include the electricity used by a base pump to aerate the adjacent Del Monte Lake. The electric use breakdown is 40% for Departments J-3 and J-5, and 20% for Department H-9.

Department J-3 also receives a 10% allocation of Building 348's water and sewage usage, and a 1% allocation of the natural gas usage.

h. Miscellaneous Expenses

Although the miscellaneous expense category includes five accounts under the SR06 Report, Department J-3 uses only two of these accounts: Telephone, Account 303; and Miscellaneous Direct Expense, Account 319. Building 348 Cleaning and Maintenance Service and Supplies, Account 304, is

fully allocated to the Automotive Shop, Department J-5. Under Miscellaneous Direct Expense the following types of costs have been recorded:

- Waste oil disposal. This charge has been shifting between Departments J-3 and J-5 on an alternating basis.
- NEX vehicle repairs. Includes repairs and upkeep on a government owned pick-up truck used by the NEX for official business.
- Film purchase and processing. Used to record facility conditions and for advertising purposes.
- Refunds for downward fuel price adjustments. Sometimes new advertised lower fuel prices are not immediately reset at the pumps to reflect the latest price. Refunds to customers who paid the higher previous price are charged to this account.
- Customer claim payments for substantiated damages. Occasionally the NEX receives payment requests for automotive repairs from water in the fuel or low quality gasoline products. If supported, the claims are paid.
- Fuel testing by an independent source to verify customer claims.
- Contractor construction claim payments for alterations and repairs that exceeded an original contract price.
- Low cost infrequent items that occur in the course of business. These items do not fit into any other established category and are hard to predict.

B. STATION UPGRADE ALTERNATIVES

Existing environmental laws require the owners of single walled steel underground storage tanks (USTs) to replace or upgrade their tanks by December 22, 1998. This is when new environmental regulations are scheduled to take effect. The NEX service station has two single walled steel tanks.

The NPS is beginning to remove and backfill the NEX service station's 10,000 gallon fiberglass UST which was taken out of service in July 1992. The tank will not be replaced at the time of removal.

Costs have been estimated for three options in a contracted engineering retrofit study of USTs at NPS. The study was conducted by Radian Corporation in July 1992 for the Western Division Naval Facilities Engineering Command. This was used in developing an overall NPS Underground Storage Tank Management Plan. This plan was completed in October 1992. A fourth option, to close the station, was considered appropriate if the alternatives did not produce a positive rate of return and/or the customer base did not support continued operations. The four alternatives identified in this study are:

- Alternative I - Retrofit the existing USTs in 1993 and replace them in 1998;
- Alternative II - Replace existing USTs in 1998 with new double walled fiberglass USTs;
- Alternative III - Replace existing USTs in 1998 with aboveground storage tanks (ASTs), and;
- Alternative IV - Remove the existing USTs in 1998 and close the gas station.

Radian Corporation's cost analysis considered initial and long term costs. They presented costs in 1992 present values. Radian assumed a 9% interest rate and ignored inflation.

Radian Corporation provided the following additional information on their cost analysis:

The initial costs for each alternative were based on existing regulatory requirements and unit costs for implementing them. Long-term costs for alternative I consisted of monitoring costs and retrofit costs associated with compliance with the 22 December 1998 secondary containment requirements. Long-term costs associated with Alternatives II and III consisted of monitoring and permitting costs. Long-term costs were based on 15 years of tank operation. [Ref. 14:p. 5-1]

Radian also obtained cost information from several tank contractors located in Northern California. Finally, they based their estimates on as-built plans supplied by NPS personnel, considering the shallow groundwater conditions at the NEX gas station (around 18 feet) and current Federal and State of California environmental regulations applying to storage tanks. The Radian report refers to the NEX service station USTs under Group 3 Tanks, 348-1 through 3. Their estimates for each alternative are contained in Appendix D.

1. Alternative I - Retrofit Existing USTs

Retrofitting the existing USTs involves upgrading the three USTs at the service station in 1993 to meet applicable federal and state UST regulations through 1998. In 1998, double-walled tanks will be required. At that time, equipment that can be re-used from the retrofit will be retained for use on the new tanks. This would include reinstalling the Automatic Tank Gauging System (ATGS) and vadose zone monitoring and groundwater monitoring systems for the tanks.

Total costs for this option in present value 1992 costs is \$130,862. When this estimate was completed, the fiberglass tank (# 348-1) was still in service.

2. Alternative II - Replace Existing USTs With New

This alternative replaces the existing USTs with new double walled fiberglass USTs in 1998. Replacement costs computed by Radian Corporation include equipment, labor, anticipated costs for replacing existing tanks and piping with double walled fiberglass tanks and piping, soil sampling and analysis, leak detection equipment, overfill/spill protection/ATGS equipment, tie downs, concrete removal and replacement, and backfill placement and compaction. Radian Corporation selected double walled fiberglass tanks to provide a mid-range conservative choice. Lower cost jacketed steel tanks represent the low cost end, and double wall steel tanks represent the high cost end. The 1992 present value of Radian Corporation's cost estimate for Alternative II is \$172,040.

3. Alternative III - Replacement with Aboveground Storage Tanks

This alternative involves removing the existing USTs and replacing them with aboveground storage tanks (ASTs) in 1998. The Uniform Fire Code (UFC) restricts the size of ASTs for motor vehicle fuel to 6,000 gallon capacities. Radian Corporation summarizes the rationale for the tank size limitation as:

(1) Provide containment in the event of an accidental spill, (2) provide a design which can be inspected and maintained, and (3) provide a design which meets current Federal and State regulations.... [Ref. 14:p. 5-13]

The size limitation on ASTs means NEX would need to install eight 6,000 gallon ASTs to meet the station's current 45,000 gallon fuel storage design capacity. Six ASTs of that size would be needed to exceed the current 35,000 gallon operating capacity provided by tanks 348-2 and 348-3.

Cost estimates provided by Radian Corporation are based on single wall steel tanks supported on concrete saddles within secondary spill containment structures. Radian Corporation's approach replaces each existing NEX gas station tank with only one new 6,000 gallon AST. Total planned station fuel storage capacity would drop from 45,000 gallons to only 18,000 gallons. The estimated present value costs as of July 1992 for Alternative III are \$157,185. This estimate includes three new ASTs. In the analysis of the data in Chapter V, this upgrade is expanded to include eight ASTs needed to match the current design fuel storage capacity.

4. Alternative IV - Remove Existing USTs and Close the Gas Station

This alternative is appropriate if the value patrons receive from the NEX gas station is less than the cost of alternatives I-III. Costs to close and remediate the station site in 1998 are based on tank removals, soil testing and clean-up, back-filling and pavement repairs. The estimated

cost for this alternative is \$112,000. Most costs in this estimate are common to the other Alternatives.

C. LOCAL GAS STATION PRICE SURVEYS

As required by the Navy Exchange Manual, surveys of local civilian service stations are performed monthly, and more often if the market becomes volatile. This ensures the NEX provides service members with quality products at comparable or lower prices than otherwise available. The NPS gas station's normal practice is to follow the fuel prices set by the Army's larger Fort Ord gas station eleven miles away.

The local civilian stations surveyed have been the ones most competitive with the NEX station in the past. These do not include several of the civilian gas stations located closest to NPS, which normally have fuel prices 8 - 10¢ per gallon higher than the exchange's.

The results from surveys conducted in FY 1992 for the two types of fuel sold by the NEX gas station, super unleaded and regular unleaded, are presented in Tables 4 and 5. Prices shown are per gallon, and the brand of gasoline sold is noted. The NEX NPS station sells gasoline procured from Exxon under a current regional NEX contract. The Army at Fort Ord also sells Exxon gasoline [Ref. 16]. Results of surveys conducted prior to FY 1992 were not available.

D. CUSTOMER GAS STATION SURVEY

Six hundred surveys were randomly distributed to a NPS student population of 1,800 assumed to be normally distributed. A total of 189 surveys were returned (31.7% of the total distributed).

The survey had three purposes: 1) Determine a qualitative value for the exchange service station by active duty patrons; 2) review whether the station's location, adjacent to the main exchange retail store, is a draw for retail business, and; 3) ascertain if service station customers are sensitive to fuel prices.

A survey questionnaire form is shown in Exhibit 2. Comments received on surveys are compiled in Appendix E.

E. COSTS EXEMPTIONS FOR THE NEX GAS STATION

The NEX gas station enjoys several cost breaks by virtue of its status as a Federal Government facility. These include exemptions on State and Federal income taxes, Federal fuel excise taxes (14¢ per gallon), local city business taxes, building permit fees and insurance premiums for environmental clean-up liability and workman's compensation. State excise and sales taxes are not paid directly by exchange patrons, but some State of California fuel taxes are paid by NEX as part of the total bulk fuel bill. This cost is passed along to patrons without adding the additional tax tier paid by civilian station customers. The State of California excise

TABLE 4

SERVICE STATION PRICE SURVEYS

REGULAR UNLEADED, PRICE PER GALLON

(DOLLARS) All Civilian Service Stations
listed are in Monterey, California.

DATE 1992	NEX NPS (Exxon)	Ft. Ord (Exxon)	Mineas (Arco)	Webster (Exxon)	Light- house (Beacon)	Del Monte (Exxon)
03 FEB	0.989	0.99	1.03	1.03	1.03	0.99
21 FEB	1.02	1.03	1.03	1.05	1.05	1.03
01 APR	1.019	1.019	1.029	1.059	1.059	1.059
01 MAY	1.099	1.09	1.12	1.11	1.11	1.15
01 JUN	1.199	1.19	1.229	1.249	1.249	1.259
30 JUN	1.199	1.199	1.229	1.249	1.249	1.259
31 JUL	1.229	1.229	1.249	1.249	1.249	1.259
31 AUG	1.239	1.239	1.229	1.249	1.249	1.259
30 SEP	1.239	1.239	1.229	1.249	1.259	1.259
31 OCT	1.239	1.239	1.249	1.269	1.269	1.249
08 DEC	1.239	1.239	1.247	1.279	1.259	1.299
31 DEC	1.199	1.199	1.249	1.279	1.239	1.279

Source: NEX, NPS, Monterey, California

TABLE 5

SERVICE STATION PRICE SURVEYS

SUPER UNLEADED, PRICE PER GALLON

(DOLLARS) All Civilian Service Stations
listed are in Monterey, California.

DATE 1992	NEX NPS (Exxon)	Ft. Ord (Exxon)	Mineas (Arco)	Webster (Exxon)	Light- house (Beacon)	Del Monte (Exxon)
03 FEB	1.209	1.17	1.16	1.21	1.17	1.21
21 FEB	1.19	1.19	1.17	1.21	1.19	1.25
01 APR	1.199	1.199	1.169	1.21	1.199	1.23
01 MAY	1.249	1.24	1.25	1.27	1.27	1.31
01 JUN	1.359	1.35	1.35	1.39	1.37	1.41
30 JUN	1.349	1.349	1.389	1.419	1.389	1.439
31 JUL	1.349	1.369	1.399	1.399	1.399	1.439
31 AUG	1.389	1.389	1.389	1.399	1.399	1.449
30 SEP	1.389	1.389	1.389	1.399	1.389	1.429
31 OCT	1.389	1.389	1.419	1.419	1.419	1.429
08 DEC	1.389	1.389	1.419	1.449	1.427	1.469
31 DEC	1.379	1.379	1.419	1.449	1.419	1.469

Source: NEX, NPS, Monterey, California

EXHIBIT 2
NEX GAS STATION SURVEY FORM

We want your opinion. This survey is to support thesis research on the Navy Exchange Gas Station. Your inputs will help determine the value placed on the availability of gasoline on base. Thank you for your time.

Please return completed surveys to NPS SMC 1903.

Check the blocks that most apply to you.

1. I am: Active Duty____, NPS Student____, Navy____, Army____,
USAF____, USCG____, Other____ (____).

2. I am: male____, female____.

3. Which type of fuel do you normally buy for your vehicle(s)?
super unleaded____ unleaded____ regular leaded____

4. Are you aware of gasoline prices in town compared to exchange prices?
Yes____, No____, Sometimes____.

5. How often do you (or your spouse) use the Navy Exchange gas station?
Almost everytime I fill-up____, Sometimes (every few months)____, Seldom (1
or 2 times per year)____, Never____.

If you answered "Never" to question # 5, skip to question # 10.

6. How do you feel about the gasoline quality at the Navy Exchange? Good____,
O.K.____, Wary____, Poor____, Don't know____.

7. When you purchase gas on base, how often do you (or your spouse) also shop
at the main exchange or outlet stores?
Always____, Usually____, Sometimes____, Seldom____, Never____.

8. The exchange gas station benefit is a right:
Agree____, Disagree____, Don't care____.

9. If the exchange no longer had a gas station, would you (or your spouse)
change how frequently you used the main exchange and outlets? No
change____, Would shop less often____.

10. If the exchange gas station were closed to provide more on base parking
(leaving only the mechanics operating) would you

1____	2____	3____	4____	5____
Strongly	Approve	Neutral	Disapprove	Strongly
Approve				Disapprove?

11. How strong are your feelings towards keeping the exchange gas station
open?

1____	2____	3____	4____	5____
Strongly	Approve	Neutral	Disapprove	Strongly
Approve				Disapprove

12. Optional Comments_____

tax at the pump is 17¢ per gallon and state sales tax is 7.25% of the sale price.

These cost breaks are presented to provide a clearer picture of the differences between the NEX gas station and the civilian service station business environment. A detailed analysis of these tax and fee exemptions are beyond the scope of this study. They are not used in calculating the cost of NEX operations to NPS. However, the data are used to determine estimated consumer and producer surpluses received by the NEX gas station from subsidies in the form of taxes and insurance breaks.

The Navy Exchange also receives benefits from the Naval station in the form of base support. This support includes fire and security services, environmental guidance and oversight benefits, and certain facility upgrades. The NPS station support is considered in determining NEX gas station operating costs. All these areas are discussed below.

1. NEX Costs Breaks

a. Federal Fuel Excise Tax

If the NEX gas station were required to pay this tax of 14¢ per gallon, they would have to decrease profit margin in order to remain competitive. For an approximate FY 1992 sales volume of 1,432,000 total gallons sold, this exemption represents a \$200,480 annual cost that would be added to a civilian station's cost of goods sold.

b. State Taxes

The State of California fuel excise tax of 17¢ per gallon would cost the NEX gas station \$243,440 for the 1,432,000 gallons sold from July 1991 to July 1992.

State sales tax of 7.25% times the \$1,631,833 in NEX fuel sales for the one year period would have cost the NEX \$118,308.

c. City Business Tax

The Naval Postgraduate School is located within the city limits of Monterey, California. The City of Monterey taxes local businesses based on their annual gross sales receipts. Tax formulas exist for three size categories. The NEX gas station would fall into the largest category. This group is defined as businesses with annual sales over \$37,500. Based on the city's formula, the NEX gas station would have paid city tax of \$2,245 in FY 1992. (An \$86 flat annual fee, plus \$3 tax per each \$2,500 in gross receipts. NEX gas station sales in FY 92 were \$1,799,020.)

d. Building Permit and Fees

The City of Monterey charges new businesses building permit and plan inspection fees based on square footage and estimated construction costs of a project. The station upgrade options under consideration would cost a civilian station \$1,800 to \$2,100 in permits and fees.

e. Environmental Liability Insurance

Civilian gas stations are required by environmental law to carry liability insurance for clean-up requirements in the event their fueling operations cause pollution. The NEX gas station is exempt from purchasing coverage because the Federal Government is self-insured. The insurance premiums vary with the size, location, and age of USTs. If a civilian entity, the NEX gas station could expect to pay about \$5,000 in annual premiums for the required one million dollars of coverage.

f. Workman's Compensation Insurance

Any civilian business is required to provide workman's compensation insurance for its employees. Local civilian service stations pay annual premiums of \$8,000 to \$15,000 for their fueling operations. Additional premiums between \$3,000 and \$5,000 are paid for stations with automotive mechanics.

g. NPS Station Support

The NEX gas station receives several no cost services from NPS through an existing base host-tenant agreement. For example, NPS provides security and fire protection. Civilian stations would pay for these services through business taxes. This cost is not included in this study because the base would provide these services even without the NEX service station.

The Public Works Department provides environmental oversight for the NEX, and includes NEX USTs in the NPS Underground Storage Tank Management Plan without cost to NEX. Benefits from this action include annual tank testing costs (around \$500 per tank) and the 1991 installation of a \$105,100 vapor recovery project. This replaced the gas station's fuel line piping. These costs are not tracked by NEX financial reports, but they have been included in this study.

The existing host-tenant agreement also stipulates that the upgrade or replacement of existing USTs will be financed with appropriated station funds at no cost to the NEX. This support arrangement between the Navy Exchange and host station is typical on Naval bases and has been formalized in naval instructions. Bases provide support at no direct cost to exchanges because NEX services are considered an asset. The asset includes both services provided to military service members, and funds generated for Morale, Welfare and Recreation (MWR) programs. However, this item is under review at NPS and throughout the Navy due to the dollar magnitude of environmental upgrades under consideration.

V. DATA ANALYSIS

Collected data was reviewed for reasonableness, accuracy and completeness. Cost trends were analyzed for the past five fiscal years. Eleven years of sales, gross profits and net contributions data were collected and nine years of net contribution data was analyzed to project future values using least squares regression. Finally, FY 1992 statements were investigated to determine inputs to cost accounts. The results of this analysis are discussed in this chapter.

A BENEFITS/COSTS

1 SC05 Report Adjustments For Department J-3

Cost categories presented on the SC05 Report are appropriate but several items required further examination. In addition to a discussion on budgeted sales and gross profits, four FY 1992 SC05 Report categories required adjustments to more accurately reflect costs: 1) Payroll; 2) Employee Benefits; 3) Other Direct Expenses; and, 4) Equipment Depreciation.

a. Budgeted Sales and Gross Profits

Budgeted sales and gross profit have been compared with actual sales and gross profits in each of the five fiscal years reviewed, FY 1988 through FY 1992.

Budgeted sales have ranged from 8.4% to 17.3% below actual sales. The one exception was FY 1991 when sales predictions were 20.8% above actual sales. This resulted from an unanticipated non-consecutive two month shutdown of the gas station during 1991. The shutdowns, in June and September of that year, were necessary to install a \$105,100 fuel vapor recovery system. An artificial, proportional increase was added to those two months, inflating FY 1991 sales to determine a sales trend from FY 1982 through FY 1992. This trend was then compared to the consumer price index for motor fuels for the same period to back out inflationary effects. It was determined that sales were lost in a greater proportion than what could be accounted for by the sales adjustment. A plausible explanation is that additional time was required after reopening to re-establish the customer base lost during the shut-down. This was considered in estimating the payback periods of each upgrade alternative.

A similar percentage shift occurred when comparing budgeted to actual gross profit. Again, with the exception of FY 1991, all budgeted gross profit figures were lower than the actual figures by between 28.6% and 51.5%. For FY 1991 the budgeted gross profit was 13.6% above the actual gross profit.

The under-estimation of sales and gross profit represents a conservative budgeting approach by local NEX management. An explanation for the consistent under-budgeting is the procedure used to determine overhead payments owed to

NEX headquarters. Budgeted figures are developed and submitted to NEX headquarters. From Navy wide submissions, NEX headquarters develops overhead amounts each exchange will pay. For the NPS NEX, an overhead charge of around 1.8% of forecasted sales is used, but the rate can be as high as 2.8% depending on the activity. The total of all exchange inputs provides headquarters with their anticipated budget. The NEX system then makes a commitment to the MWR Program for the coming year, which develops its own future plans. The amount individual exchanges will pay during the year becomes fixed. This occurs regardless of actual sales and gross profit figures. Under-estimating of budgeted sales and gross profit is prevalent. This is because of the financial hardships over-budgeting would impose on exchanges whose sales fell short of targets. Adjustments to budgeted amounts are not forced on an exchange by headquarters unless projections are extremely inaccurate from year to year.

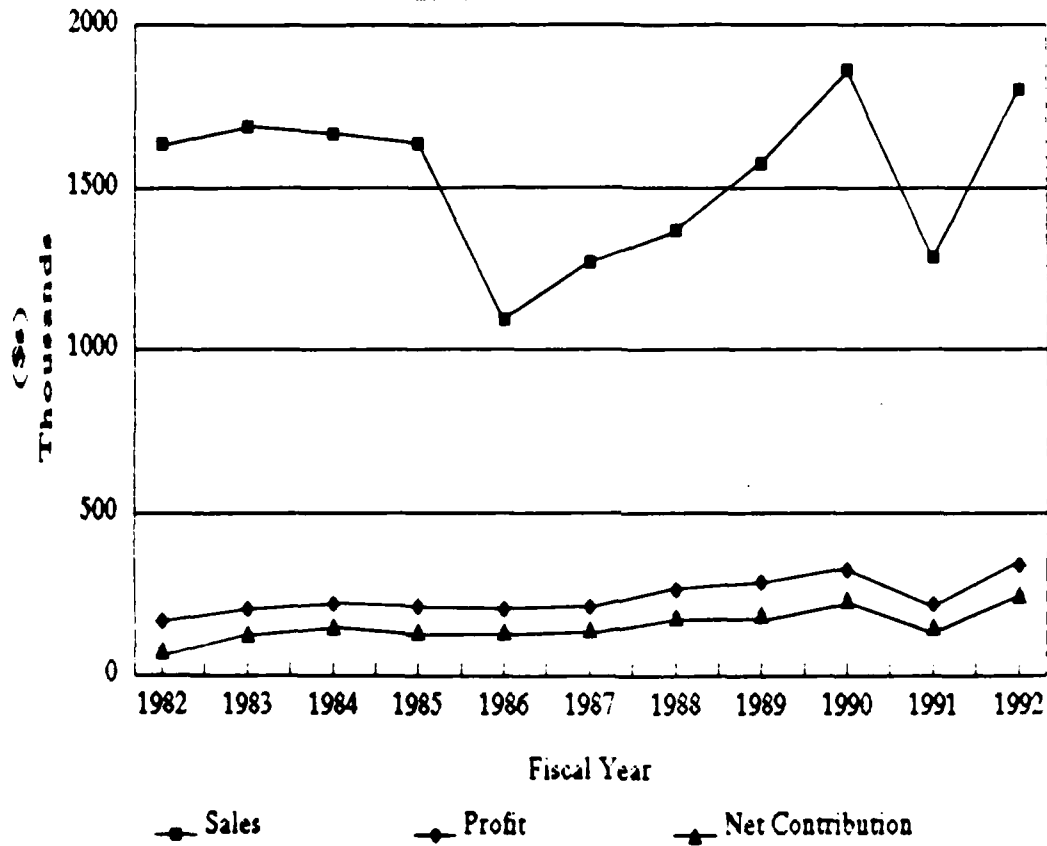
b. Actual Sales, Gross Profits, and Net Contribution

Eleven fiscal years (FY 1982 through FY 1992) of historical data for sales, gross profit and net contributions were collected, and net contributions were analyzed using least squares regression. Their performance was presented in Table 1, Chapter IV. It is graphed here in Figure 1.

Sales figures for FY 1982 through FY 1992 fluctuate, giving the impression of a dynamic market.

FIGURE 1
HISTORICAL PERFORMANCE
DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA

SALES, PROFIT, AND NET CONTRIBUTION
NEX FISCAL YEARS 1982 - 1992



However, a review of the consumer price indexes for motor fuels over this period reveals movements that strongly coincide with the movement of NEX fuel sales (see Table 6). The sales figures and index movements, in conjunction with the stable gross profits and net contributions during this time frame, indicate that the quantity of gasoline sold by the NEX is fairly stable from year to year.

A stable sales volume implies a stable customer base. To investigate this idea, student population levels were obtained from the NPS Registrar's Office. Student populations were available only for FY 1987 through FY 1992. The figures ranged from a low of 1,623 students in FY 1988 to a high of 1,992 students in FY 1990. Since then, the student population has slowly declined to 1,809 in FY 1992. In addition, area retirees make up an estimated 60% of the NEX's customers. This supports the idea of a relatively stable customer base, contributing to stable annual fuel sales volumes.

Figure 2 shows consumer price indexes plotted against sales figures from FY 1982 through FY 1992. The index has roughly paralleled sales magnitudes. However, FY 1991 shows a large disparity between the movement in sales and the price index due to the station shut-down previously mentioned.

TABLE 6
COMPARISON OF SALES TO THE
CPI FOR MOTOR FUELS
FY 1982 - 1992

DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA

FISCAL YEAR	SALES (\$)	CPI, MOTOR FUELS
1982	1,635,684	102.8
1983	1,685,413	99.4
1984	1,665,592	97.9
1985	1,637,458	98.7
1986	1,092,263	77.1
1987	1,271,453	80.2
1988	1,370,367	80.9
1989	1,569,788	88.5
1990	1,863,381	101.2
1991	1,285,657	99.4
1992	1,799,020	98.9

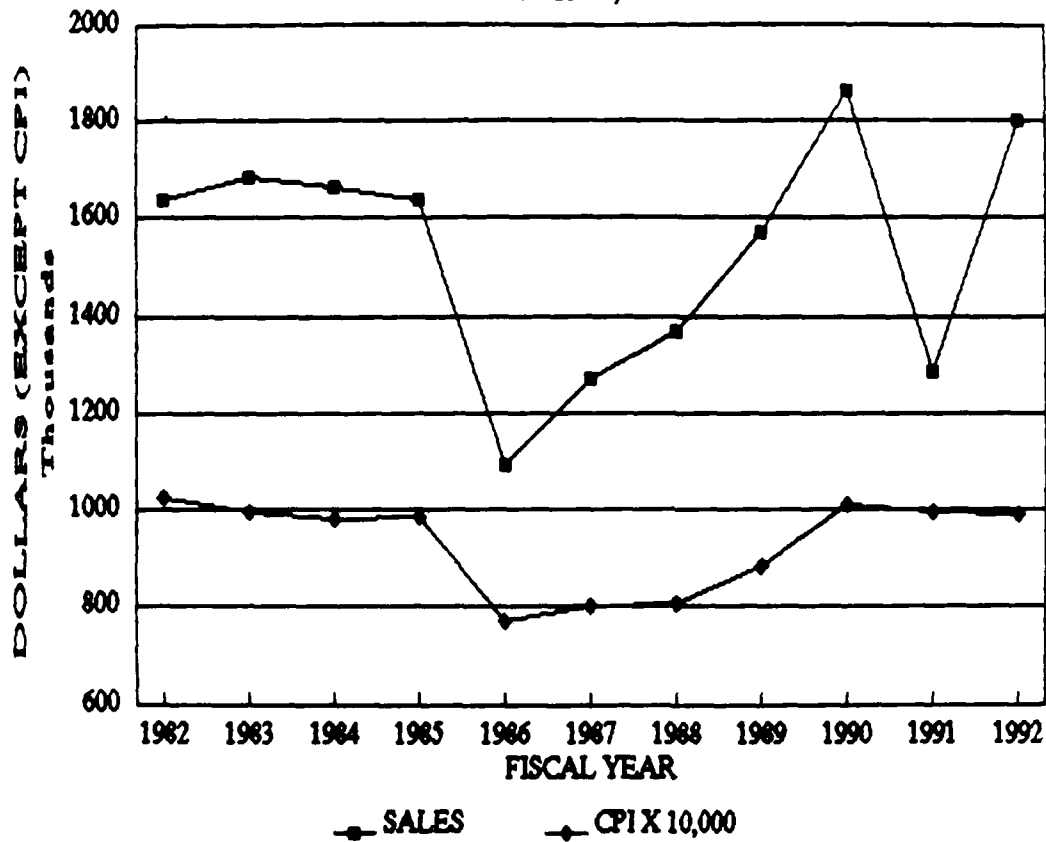
Sources: NEX Department J-3 sales are from SC05 Cost Reports.
The Consumer Price Index levels for motor fuel are from the
"Economic Report of the President," January 1993, Table B-57.

FIGURE 2

DEPARTMENT J-3, FUELS
NEX, NPS, MONTEREY, CALIFORNIA

SALES VS. CPI TRENDS

NEX GAS STATION, FY 1982 - 1992



c. Payroll

Salaries and wages for two full time and three part time employees are allocated to Department J-3, Fuels. This includes 100% of the salary for a full time supervisor who also oversees the automotive mechanics working in the co-located Department J-5. Therefore, for the purposes of this study, the supervisor's personnel costs have been re-allocated: 50% to Department J-3, and 50% to Department J-5. The FY 1992 payroll account has been reduced by \$7,000 (approximately one half of the supervisor position's payroll) to reflect this change. Efforts of this supervisor to oversee the automotive parts store, Department H-9, are not considered significant.

d. Employee Benefits

The benefits associated with the re-allocation of the supervisory costs reduce this SC05 account by \$1,264.

e. Other Direct Expenses

Based on the two most recent tank testing contracts funded by NPS, annual tank testing costs of \$1,500 (\$500 per tank) have been added to miscellaneous direct expenses on the SC06 Report.

f. Equipment Depreciation

Equipment depreciation has been increased to cover the \$105,123 station funded vapor recovery system installed June through September of 1991 [Ref. 9]. Based on a ten year

straight line depreciation, \$5,256 has been allocated to FY 1991 depreciation (half-year convention), and \$10,512 to FY 1992 through FY 2000. The remaining \$5,256 is allocated to FY 2001.

2. SC06 Report Adjustments For Department J-3

The re-allocation of the Department J-3 supervisor's payroll and related benefits discussed in the SC05 Report section requires reductions in the Provisions for Annual Leave account of \$728, and the Taxes-FICA account of \$536. No revisions are warranted for Retirement Annuity Contributions. A reduction of \$1,624 is reflected in the Total Employee Benefits account for FY 1992.

a. Utility Expenses

Utility expenses were determined to be reasonable with minor inaccuracies that are not significant; therefore, no statement adjustments were made for this item. Areas subject to interpretation are the cost to operate a Naval station pump from NEX's Building 348, and the engineering estimates which allocate the utility bill to the three departments sharing the building. Also, a station pump aerates the adjacent Del Monte Lake. The engineering estimates allocate 40% of the electric utilities to both Department J-3, Fuels, and Department J-5, Automotive Shop. The remaining 20% is allocated to Department H-9, Automotive parts store. In addition, Department J-3 is charged 10% of

the building's water usage, and 1% of the natural gas usage. The electric bill is by far the largest cost of utilities at between \$750 to \$800 per month. Department J-3's 40% portion amounts to between \$3,600 and \$3,840 per year.

b. Miscellaneous Expense

The NEX gas station is the most profitable service outlet run by the exchange with an average eleven year gross profit of 15.6% of sales (FY 1982-1992). As a result of operational realities, it often absorbs miscellaneous expenses that straddle less profitable departments. Examples are: (1) one half of waste oil disposal costs that had been divided between the automotive shop and the gas station on an alternating basis, (2) expenses for maintenance of an NEX government owned pick-up truck, and (3) the cost of film and processing for service station advertising and facility condition documentation. For the future, the NEX plans to fully allocate future waste oil disposal costs of approximately \$800 per year to the Automotive Shop, Department J-5. This is more reasonable since these costs result from the operation of the automotive shop. Therefore, for the purpose of this analysis, \$400 has been deducted from Department J-3, Fuels.

B. BENEFIT/COST PROJECTIONS

1. Adjusted SC05 And SC06 Reports

Using the revisions and adjustments previously identified for the SC05 and SC06 Reports, modifications have been made to the FY 1992 statement values presented earlier in Tables 2 and 3. The revised data is shown in Tables 7 and 8. Absolute value adjustments totalled \$20,276. These values increase FY 1992 expenses by 4.2% (\$3,748) and decrease total net contribution by 1.5%. Because of the small change, historical data was used without adjustments for projecting future net contribution values.

2. Net Contribution Projections

Net contribution data for fiscal years 1982 through 1992 was collected to project future net contributions. These projections are used to calculate the payback of the proposed upgrades. Future values were estimated using least squares regression analysis to reflect a best fit approximation to past performance. Data from FY 1983 to FY 1990 was used for this projection. FY 1982 data was disregarded because of its lower than expected net contribution in comparison to the 1982 motor fuel CPI, and FY 1991 data was disregarded due to the two month shutdown of the gas station that year. Net contributions were not revised for the previously described adjustments to the SC05 and SC06 Reports. Data are presented in Table 9 and Figure 3.

TABLE 7
ADJUSTED SC05 REPORT FOR FY 1992

**DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA**

(DOLLARS)

	FY 92 RECORDED	FY 92 ADJUSTED	\$ CHANGE
Sales	1,799,020	-	0
COGS	1,462,561	-	0
GP	336,459	-	0
Payroll	57,950	50,950	- 7,000
Employee Benefits	11,459	10,195	- 1,264
Other Dir. Expenses	17,304	18,804	+ 1,500
Equip. Deprec.	1,625	12,137	+10,512
TOTAL EXPENSES	88,338	92,086	+3,748
NET DEPT. CONTRIBUTION	248,120	244,373	-3,748

Note. Total additional cost adjustments of \$3,748 represents a change of 1.5% from recorded NEX cost figures.

TABLE 8

ADJUSTED SCO6 REPORT FOR FY 1992

DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA

(DOLLARS)

	FY 92 RECORDED	FY 92 ADJUSTED	\$ CHANGE
ANNUAL LEAVE PROVISION	6,551	5,823	-728
TAXES-FICA	4,485	3,949	-536
RETIREMENT ANNUITY	422	422	0
TOTAL EMPLOYEE BENEFITS	11,459	10,195	-1,264
STATIONARY & SUPPLIES	1,006	1,006	0
REPAIRS & MINOR REPLACEMENTS	8,051	8,051	0
UTILITY EXPENSE	7,099	7,099	0
MISC. EXPENSE	1,147	747	-400
TOTAL OTHER DIRECT EXP.	17,304	16,904	-400
TOTAL EXPENSES	28,763	27,099	-1,664

TABLE 9

NET CONTRIBUTION PROJECTIONS

DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA

FISCAL YEAR	ACTUAL VALUE (\$)	PROJECTED VALUE (\$)
1982	72,433	95,607
1983	124,184	107,059
1984	146,500	118,511
1985	136,024	129,963
1986	138,265	141,415
1987	140,037	152,867
1988	182,256	164,319
1989	186,952	175,711
1990	230,619	187,223
1991	147,803	198,675
1992	248,120	210,127
1993	-	221,579
1994	-	233,031
1995	-	244,483
1996	-	255,935
1997	-	267,387
1998	-	278,839

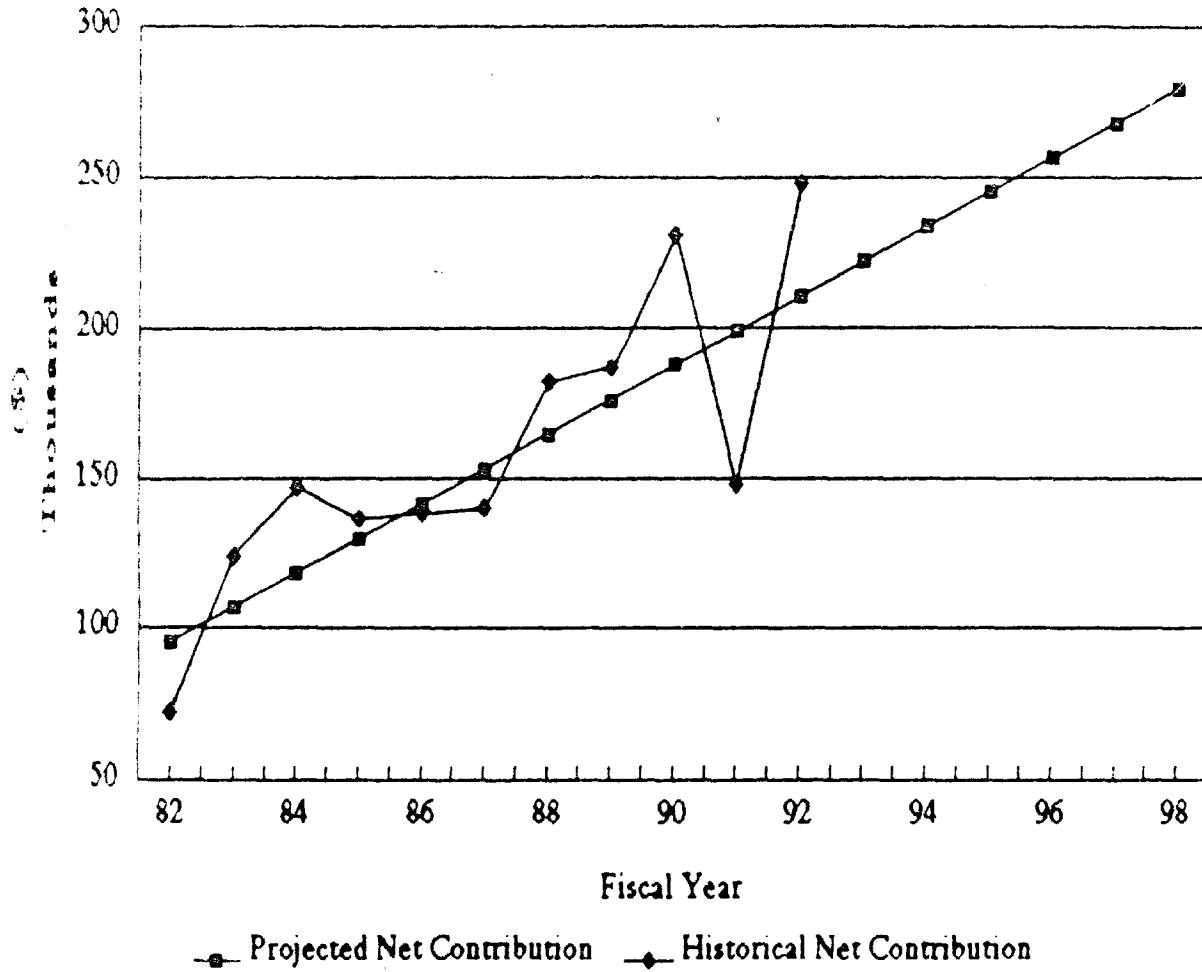
NOTE. Regression Line Equation for Net Contribution:
 $Y(n) = \$95,607 + \$11,452(n)$; n = year, with 1982 = 0.

FIGURE 3

DEPARTMENT J-3, FUELS
NEX, NPS, MONTEREY, CALIFORNIA

NET CONTRIBUTION PROJECTIONS

NEX FUELS DEPARTMENT



The future NEX customer base was examined to consider the impact of anticipated decreases in NPS student populations and Fort Ord downsizing plans. Student population is expected to draw down slowly from 1,800 students to 1,700 over the next two years. Fort Ord's downsizing is not expected to significantly affect the NEX customer base. The Fort Ord gas station is being retained as part of a core group of services that will remain after the Seventh Light Infantry Division is disbanded in FY 1993. [Ref. 16] As a result, the customer base for the NEX should remain relatively constant for the foreseeable future. In the event plans change and the Fort Ord gas station does close, NEX's customer base may actually increase as retirees have fewer retail gasoline options.

Attempts were made to collect fuel sales volumes over the eleven year period reviewed to determine if changes in revenues resulted from sales volume changes or fuel price changes. However, the NEX does not maintain consolidated fuel volume records, and data is not available for more than one to two years in the past. The trucking firm that makes bulk fuel deliveries to the NPS NEX was contacted: however, they were not able to provide information on past deliveries. In July 1992, an unknown NPS student compiled records going back to 1991. Total sales volume for this one year period was 1,431,568 gallons. These values have been rounded to the nearest thousand for this study.

Despite the shortage of comprehensive sales volume data, the NEX gas station is assumed to have a fairly steady annual business volume. This is considered reasonable because of the consistent relationship between the consumer price index for motor fuels and NEX fuel revenues. It is also supported by the steady values for gross profit and net contribution. Finally, the authorized customer base, estimated at 40% active duty and 60% retired personnel, is not subject to drastic shifts from one year to the next.

As the final element in developing forecasts, net contribution projections have been reduced to reflect interrupted revenues during the actual upgrade. Based on the additional losses of \$52,000 experienced while the station was closed for two non-consecutive months in FY 1991, additional net contribution losses of \$26,000 per closed period have been added for when the station is undergoing upgrading. To determine this amount, the average of FY 1990 and FY 1992 sales (\$1,831,200) was used. This corresponds to the behavior of the CPI in FY 1991, which was approximately the average of the CPIs for FY 1990 and FY 1992. For the same two years, an average percent net contribution to sales figure of 13.1% can be calculated. Applying this to the average sales figure results in an estimated FY 1991 net contribution of \$239,890. This is the expected amount if station operations had not been interrupted. After adjusting \$239,890 proportionately downward to \$199,908 to account for two non-consecutive months

of closure, the actual net contribution for FY 1991 of \$147,803 was subtracted from it. The resulting value of \$52,105 is considered the additional loss encountered to later re-establish the customer base. One half of this value was used to arrive at the \$26,000 loss per closure figure.

C. ANALYSIS OF GAS STATION UPGRADE ALTERNATIVES

The four alternatives previously introduced will now be reviewed in detail. Radian Corporation's estimates have been adjusted for inaccuracies and/or changes in circumstances. The largest line item revised in all the alternatives was Radian Corporation's assigned value for tank removals. This line item was increased from \$10,200 for the two steel tanks to \$82,000. This was based on actual Naval station costs experienced to remove the leaking fiberglass tank [Ref. 17].

Radian Corporation's original present value calculations used a 9% discount interest rate and are shown in Appendix D. A 10% discount rate was used in this study which is required by Department Of Defense (DOD) and Navy cost analysis planning instructions [Refs. 18 & 19]. Costs were discounted to determine their present value for FY 1993. This discount rate is close to current local business conditions. Business equipment loan rates are 8.25 to 8.55% with 1 to 2% loan fees. Inflation effects were ignored in this study.

A payback period has also been calculated for each alternative using the estimated 1993 present value costs and

projected net contributions. Net present value (NPV) over the expected life of the tanks could be calculated using net contribution estimates. However, since revenues are the same for all upgrade alternatives NPV has the same ranking as present value (PV) of costs. The full cost of each alternative is presented for budgeting purposes.

1 Alternative I - Retrofit Existing USTs

This alternative upgrades the USTs in 1993 to comply with environmental regulations until they are replaced in 1998. When Radian Corporation completed their study in July 1992, all three of the NEX gas station's USTs were in operation. Very shortly after that, annual tank testing revealed that tank # 348-1 (the 10,000 gallon fiberglass tank) was leaking. The tank was promptly taken out of service; therefore, tanks 348-2 and 3 are the remaining steel tanks to which this alternative has been applied.

A review of Radian Corporation's Alternative I estimate appears to indicate that 1992 costs to complete the work were over discounted. This provided a lower total cost for this alternative than seemed reasonable. This study uses Radian Corporation's tank replacement costs for Alternative II as the basis for Alternative I because of similar work completion timeframes. Additional costs to retrofit the storage tanks in 1993 have been added. The cost for the tank removal and disposal of the remaining two tanks in 1998 has

been revised upward based on actual costs incurred to remove the fiberglass tank in 1993. Total FY 1993 costs for this option following the elimination of the upgrade and removal cost of tank # 348-1 is \$221,251. Exhibit 3 summarizes the cost estimates for this alternative.

2 Alternative II - Replace Existing USTs with New

Alternative II replaces the existing tanks with three new double walled fiberglass USTs in 1998. The Radian Corporation cost estimate for this alternative has been revised to account for the earlier removal of the leaking 10,000 gallon fiberglass tank, and the replacement of the tanks in 1998 vice 1992. The FY 1993 present value cost estimate is \$214,451. Exhibit 4 summarizes the cost estimates for this alternative.

3 Alternative III - Replacement With Aboveground Storage Tanks

This alternative replaces the three NEX gas station USTs in 1998 with eight aboveground storage tanks (ASTs). The ASTs have advantages of easy access for inspection, but they also have several drawbacks. Federal Uniform Fire Codes (UFC) limit the size of ASTs used for motor vehicle fuels to a maximum of 6,000 gallons per tank. This is because ASTs present additional fire safety hazards not encountered with USTs. Compared to USTs, ASTs also have greater upkeep and maintenance requirements, require more physical space, and

EXHIBIT 3

ALTERNATIVE I - RETROFIT EXISTING USTs IN 1993, REPLACE USTs IN 1993

REVISED COST ESTIMATE

Unadjusted Radian Corp. Estimate
for Alternative II,

1992 Present Value (PV) \$172,042 * Tanks 1-3.

Less: Tank 1 removal \$ (4,800)

Tank 2 & 3 removal/clean-up \$(10,200)

Revised PV 1992 \$157,042

Adjusted to 1993 PV @ 10% X (1.09)⁶/(1.10)³

\$163,535

Add ins:

Tanks 2 & 3 removal costs, \$50,916 **
value in 1993, (remove 1998)

Cathodic Tank Protection (1993) \$6,800

TOTAL ADD INS, PV 1993 \$57,716

ALTERNATIVE I, PV 1993

Adjusted Radian Estimate \$163,535

Add ins \$ 57,716

TOTAL ALTERNATIVE I \$221,251

* Radian Corporation's Alternative II estimate was used as the basis for this revised estimate. Retrofit costs of a cathodic tank protection system have been added into estimate.

** The value for tank removal was derived from costs of \$51,000 in May 1993 to remove tank number 1. This amount was increased 1.6 times to cover the simultaneous removal of two tanks based on conversations with the construction contracts office at NPS. \$82,000 was then adjusted to PV 1993 costs.

EXHIBIT 4

ALTERNATIVE II - REPLACE EXISTING USTs IN 1998

REVISED COST ESTIMATE

Unadjusted Radian Corp. Estimate, 1992 Present Value (PV)	\$172,042	Tanks 1-3.
Less: Tank 1 removal	\$ (4,800)	
Tank 2 & 3 removal/clean-up	\$(10,200)	
Revised PV 1992	<u>\$157,042</u>	
Adjusted to 1993 PV @ 10%	X (1.09) ⁶ /(1.10) ⁵	
	<u>\$163,535</u>	

Add in:

Tanks 2 & 3 removal costs, value in 1993, (remove 1998)	<u>\$50,916 *</u>
TOTAL ADD INS, PV 1993	\$50,916

ALTERNATIVE II, PV 1993

Adjusted Radian Estimate	\$163,535
Add ins	<u>\$ 50,916</u>
TOTAL ALTERNATIVE II	\$214,451

* The value for tank removal was derived from costs of \$51,000 in May 1993 to remove tank number 1. This amount was increased 1.6 times to cover the simultaneous removal of two tanks based on conversations with the construction contracts office at NPS. \$82,000 was then adjusted to PV 1993 costs.

pose a greater air pollution hazard. The air pollution hazard is due to ASTs needing a more complicated vapor recovery system than the gravity recovery systems on USTs. Fuel vapors must be pulled back into the tank through a vacuum pump which is subject to mechanical failure.

The AST's 6,000 gallon size limitation also decreases the option's desirability. Eight tanks would be required to match the original station storage capacity of 45,000 gallons. The Radian Corporation estimate is based on replacing the existing three USTs with three smaller ASTs. This would result in a new station storage capacity of 18,000 gallons. For this study, eight ASTs have been included so that all the alternatives have approximately the same storage capacity.

An AST is better suited for rural rather than urban locations. In rural locations, potential damage from an accidental explosion would not threaten as much life and property as an AST in an urban setting. A common cause of accidents with ASTs results from the requirement to use pumps to deliver bulk fuel loads. This is more dangerous than the gravity flow delivery system used to unload transport tankers into USTs. Explosion proof pumps are required to perform AST deliveries; however, pumps that do not comply with the Uniform Fire Codes are often involved in AST fuel delivery accidents. The NEX gas station is located near the main exchange and in

close proximity to Del Monte Avenue. These are serious causes for concern when considering ASTs.

The Radian Corporation's cost estimate for three ASTs was adjusted by deleting the tank removal costs for Tank # 348-1, increasing the removal costs for the remaining two tanks, and adding five additional ASTs. The 1993 present value cost estimate for this alternative is \$350,544. A breakdown is provided in Exhibit 5.

4. Alternative IV - Remove the USTs and Close The Station

This alternative was provided in case the net present value calculations were negative or the customer survey responses had been strongly against continued operations. The FY 1993 present value estimate to remove the tanks and associated equipment and close the station in 1998 is \$80,916, (see Exhibit 6). Of this amount, \$50,916, for tank removals, disposal and soil remediation costs, is common to Alternatives I-III.

5. Alternative Present Value And Payback Comparisons

As previously mentioned, least squares regression analysis was performed to project net contributions. These projections were used for the payback analysis. Net present value (NPV) over the expected life of the tanks could also be calculated using net contribution estimates from the regression. However, this is not necessary because revenues are the same for all upgrade alternatives so NPV has the same

EXHIBIT 5

ALTERNATIVE III - REPLACE EXISTING USTs With ASTs IN 1998

REVISED COST ESTIMATE

Unadjusted Radian Estimate, 1992 Present Value (PV)	\$157,185	Tanks 1-3.
Less: Tank 1 & piping removal	\$ (5,750)	
Tank 2 & 3 removal/clean-up	\$(12,100)	
Revised PV 1992	\$139,335	
Adjusted to 1993 PV @ 10%	X (1.09) ⁶ /(1.10) ⁵	
	<u>\$145,096</u>	

Add ins:

Tanks 2 & 3 removal costs, PV in 1993, (remove in 1998)	\$50,916 *
Cost of five additional ASTs @(\$49,775/AST in 1993)	\$154,532 **
TOTAL ADD INS, PV 1993	<u>\$205,448</u>

ALTERNATIVE III, PV 1993

Adjusted Radian Estimate	\$145,096
Add ins	\$205,448
TOTAL ALTERNATIVE III	<u>\$350,544</u>

* The value for tank removal was derived from costs of \$51,000 in May 1993 to remove tank number 1. This amount was increased 1.6 times to cover the simultaneous removal of two tanks - based on conversations with the construction contracts office at NPS. \$82,000 was then adjusted to PV 1993 costs.

** Five ASTs were added to bring the planned total to eight ASTs. At 6,000 gallons per AST this will match the current design storage capacity of the NEX gas station (45,000 gallons for three USTs).

EXHIBIT 6

ALTERNATIVE IV - REMOVE THE USTs AND CLOSE THE GAS STATION

COST ESTIMATE

Tank Removal Costs

Tanks 2 & 3 removal costs, Present Value in 1993 (remove in 1998)	\$50,916 *
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Shutdown Costs

Remove and salvage pumps, hoses & nozzles. Remove piping and island awnings Present Value in 1993 (remove in 1998)	\$30,000 **
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TOTAL ALTERNATIVE IV	
CLOSING COSTS	<hr/> \$80,916
(Present Value 1993)	

* The value for tank removal was derived from costs of \$51,000 in May 1993 to remove tank number 1. This amount was increased 1.6 times to cover the simultaneous removal of two tanks based on conversations with the construction contracts office at NPS. \$82,000 was then adjusted to PV 1993 costs.

** Amount includes consideration of some salvage value and sale of useable equipment by the contractor. This reduces total costs to the Government.

ranking as present value (PV) of costs. Also, the short payback periods indicate that NPV is greater than zero over the life of the tanks. Reviews of the work involved shows that all the alternatives would require about the same two month shutdown in 1998. Thus, sales revenues will be the same for Alternatives I-III.

Alternative II - Replace the USTs in 1998, has the lowest 1993 PV (\$214,451), with a payback period of 15.5 months. A 1993 Present Value and payback period comparison is provided in Table 10.

D. LOCAL GAS STATION MARKET PRICE SURVEY

The NEX gasoline pricing surveys conducted through FY 1992 reveal that the NEX maintained competitive prices with area civilian service stations. The survey shows that the NEX gas station matched or beat civilian gas station prices on regular unleaded gasoline by 0.1¢ to 9¢ per gallon. The NEX gas station also consistently matched or beat the competition (by up to 9¢ per gallon) on super unleaded gas prices during the same period. Complete market survey information was not maintained and, therefore, not available for the years prior to FY 1992. Market survey data was presented earlier in this study (Tables 4 and 5 in Chapter IV).

TABLE 10

FY 1993 PRESENT VALUES
AND PAYBACK OF ALTERNATIVES

DEPARTMENT J-3, FUELS,
NEX, NPS, MONTEREY, CALIFORNIA

(DOLLARS)

	ALT. I	ALT. II	ALT. III	ALT. IV
PV 1993	221,251	214,451	350,544	80,916
PAY BACK IN MONTHS	16.0	15.5	24.2	NA

- **Alternative I** - Upgrade existing USTs in 1993 and replace them in 1998 with new USTs.

- **Alternative II** - Replace USTs with new USTs in 1998.

- **Alternative III** - Replace existing USTs with ASTs in 1998.

- **Alternative IV** - Remove USTs and close gas station in 1998.

- Uses 1998 alternative costs, four months of projected net contribution in 1998 (after upgrades are completed in mid year), with \$26,000 deducted in losses for re-establishing the customer base after re-opening, and net contribution projections increasing at \$11,452 per year from a net contribution in FY 1998 of \$278,839.

E. CUSTOMER GAS STATION SURVEY

The customer survey was conducted to answer three questions; 1) How much do customers value the NEX gas station; 2) Is the gas station a business draw for the main NEX retail store; and 3) Are customers aware of and sensitive to fuel prices? Qualitative rather than quantitative answers were sought.

In March 1993, 600 surveys were randomly distributed through the NPS Student Mail Center to a population of 1,800. By the end of April 1993, 189 surveys had been returned (31.7%). The return rate was lower than expected and this may be a source of bias if neutral or apathetic students did not respond. As a result, fewer students may actually favor keeping the station open than indicated by the surveys.

Using the central limit theorem, an assumed normal population of 1,800 students sampled without replacement, and a finite population correction factor, a 95% confidence level was achieved with plus or minus margins of error from 5.4% to 6.8%. The margin of error depended on the number of possible responses per question, which ranged from two to five. A survey form with the number of responses received (frequency) and percentages for each response block is provided in Exhibit 7. All returned questionnaires were fully answered with no missing cases. Survey comments are compiled in Appendix E. Contingency tables have been developed for

EXHIBIT 7

GAS STATION CUSTOMER SURVEY RESULTS

NEX, NPS, MONTEREY, CALIFORNIA

MARCH - APRIL 1993

Numbers in blocks are response frequencies received.
Percentages are provided for selected questions.

189 Surveys returned out of 600, (31.5%)

1. I am: Active Duty 165, NPS Student 154, Navy 129,
Army 11, USAF 0, USCG 3, Other 6 (USMC 4, Dependents 2).

2. I am: male 167, female 22.
88.4% 11.6%

3. Which type of fuel do you normally buy for your
vehicle(s)?
super unleaded 73 unleaded 120 regular leaded 11
35.8% 58.8% 5.4%

4. Are you aware of gasoline prices in town compared to
exchange prices? Yes 140, No 19, Sometimes 30.
74.1% 10.0% 15.9%

5. How often do you (or your spouse) use the Navy Exchange
gas station? Almost everytime I fill-up 145, (76.7%) Sometimes
(every few months) 26, Seldom (1 or 2 times per year) 6,
Never 12. 13.8% 3.2%
6.3%

If respondent answered "Never" to question # 5, they were
directed to skip to question # 10.

6. How do you feel about the gasoline quality at the Navy
Exchange? Good 87, O.K. 58, Wary 10, Poor 1, Don't
know 21. 49.2% 32.8% 5.6% 0.6%
11.8%

EXHIBIT 7 (CONTINUED)

GAS STATION SURVEY RESULTS

7. When you purchase gas on base, how often do you (or your spouse) also shop at the main exchange or outlet stores?

Never <u>3</u>	Always <u>0</u>	Usually <u>23</u>	Sometimes <u>99</u>	Seldom <u>52</u>
1.7%	0%	13.0%	55.9%	29.4%

8. The exchange gas station benefit is a right:

Agree <u>71</u>	Disagree <u>85</u>	Don't care <u>21</u>
40.1%	48.0%	11.9%

9. If the exchange no longer had a gas station, would you (or your spouse) change how frequently you used the main exchange and outlets? No change 112, Would shop less often 65.

63.3%	37.7%
-------	-------

10. If the exchange gas station were closed to provide more on base parking (leaving only the mechanics operating) would you

1 <u>3</u>	2 <u>7</u>	3 <u>23</u>	4 <u>44</u>	5 <u>112</u>
Strongly Approve	Approve	Neutral	Disapprove	Strongly Disapprove?
1.6%	3.7%	12.1%	23.3%	59.3%

11. How strong are your feelings towards keeping the exchange gas station open?

1 <u>113</u>	2 <u>48</u>	3 <u>24</u>	4 <u>2</u>	5 <u>2</u>
Strongly Approve	Approve	Neutral	Disapprove	Strongly Disapprove
59.8%	25.3%	12.7%	1.1%	1.1%

12. Optional Comments 84

44.4%

selected data to investigate relationships of responses. The main research questions addressed by the survey are discussed in the following paragraphs.

1. Customer Value of the Gas Station

Two questions, # 10 and # 11, were directly related to how much customers valued the gas station. Question # 6 was indirectly related to value by asking about the perceived quality of the gasoline. Respondents could conceivably value the service but hold a poor opinion of quality. 145 (76.7%) of the respondents claimed to be frequent users of the station, using it almost everytime they fill-up. The fact that these people are frequent users infers that they value both the product and the service. To investigate this assertion, a contingency table was developed to compare the responses of question # 5 (frequency of station use) to question # 6 (perceived gasoline quality).

Table 11 shows that 125 (86.2%) of the frequent users consider the gasoline quality "good" or "O.K.", and 18 (69.3%) of the respondents who use the gas station "sometimes" felt the gasoline quality was "good" or "O.K.". These survey question results, taken in conjunction with ongoing profitable sales, indicate the gas station is considered a valuable service by the majority of the active duty customer base.

Question # 8 (The exchange gas station benefit is a right) was originally intended to supplement the value issue

TABLE 11

CONTINGENCY TABLE

COMPARISON OF NEX GAS STATION CUSTOMER SURVEY
QUESTIONS # 5 TO # 6

5. How often do you (or spouse) use the Navy
Exchange gas station?

Question # 6	Almost everytime I fill-up		Sometimes (every few months)		Seldom (1 or 2 times per year)		Totals	
	f	%	f	%	f	%	f	%
Good	80	55.2	7	26.9	0	0	87	49.2
O.K.	45	31.0	11	42.4	2	33.3	58	32.8
Wary	5	3.5	3	11.5	2	33.3	10	5.6
Poor	0	0	1	3.8	0	0	1	0.5
Don't Know	15	10.3	4	15.4	2	33.3	21	11.9
Totals	145	100.0	26	100.0	6	100.0	177	100.0

6. How do you feel about the gasoline quality at the Navy
Exchange?

Note: Question # 5 also has a response category for "never"
using the NEX gas station. These 12 responses were not included
in this table because they do not apply to question # 6.

by measuring how strongly the customers held their views. Based on comments received, the question cannot be used to draw any conclusions. 21 out of 84 total written comments concerned the use of the word "right" versus what most respondents considered the correct term of "privilege." Many who answered "disagree" did so based on the wording of the question rather than on how strongly they valued the gas station.

a. Close the Gas Station for more Parking

Question # 10 asked how respondents would feel "If the exchange gas station were closed to provide more on base parking (leaving only the mechanics operating)...." This question was designed to make the respondents consider opportunity costs. The parking lot was used as an example of an alternative use, but this may have misled some of the respondents. 22 of the 84 written comments concerned parking problems on base. Most were strongly opposed to intentionally replacing the gas station with a parking lot. The comments indicated that these respondents may have believed that parking problems were the central point of the survey. Fortunately, question # 10 was the second to last question in the survey, so previous answers should not have been affected by any shifts in focus that took place.

Summarizing the 189 responses to question # 10, 112 (59.3%) "strongly disapproved," and 44 (23.3%) "disapproved"

of closing the gas station to provide more on base parking. This provides a total approval rating for continued operations of 82.6%. Only ten respondents were negative toward keeping the station open instead of a parking lot; three "strongly approved" and seven "approved" for a total of 5.3%. The remaining 23 respondents were neutral (12.1%).

b. Keep the Gas Station Open

Of the 189 responses to question # 11, "How strong are your feelings towards keeping the exchange gas station open?", 113 (59.8%) "strongly approved," and 48 (25.3%) "approved" of keeping the station open. This provides a total approval rating for continued operations of 85.1%. In contrast, only four respondents were negative about keeping the station open, two "strongly disapproved" and two "disapproved," for a total of 2.2%. The remaining 24 respondents were neutral (12.7%).

c. Gasoline Quality at the NEX

Question # 6, "How do you feel about the gasoline quality at the Navy Exchange?" ties into the value question for the reasons previously stated. Respondents who said they never used the exchange gas station were asked to skip question # 6. Of the 177 responses to this question, 87 (49.2%) said they felt the quality of the gasoline was "good," 58 (32.8%) answered "O.K.," and only 11 (6.2%) felt "wary" or that the gasoline was "poor." The remaining 21 respondents

(11.8%) stated they did not know. A weakness of this question is the assumption that each of the responses provided is on a Likert Scale, equally spaced on the spectrum of choices. This may not be true given the subjective values people place on terms like "good, O.K., wary, and poor."

Overall, the perceived quality of the gasoline is positive. Table 11 shows that 125 (86.2%) of the frequent users consider the gasoline quality "good" or "O.K.", and 18 (69.3%) of the respondents who "sometimes" use the gas station felt the gasoline quality was "good" or "O.K.".

2. Gas Station Affect on Main NEX Store Sales

Two questions were designed to provide insight into how often customers who purchased fuel at the NEX also used the main retail store. The store and the service station are co-located on the base. The questions are: # 7, "When you purchase gas on base, how often do you (or your spouse) also shop at the main exchange or outlet stores?," and # 9, "If the exchange no longer had a gas station, would you (or your spouse) change how frequently you used the main exchange and outlets?"

In conjunction with questions # 7 and # 9, question # 5, which considers the frequency of purchases, was reviewed to determine if any one type of customer used the retail store more often than another when purchasing gasoline. If the most frequent gas customers were also the ones who shopped at the

main exchange each time, this would have a greater impact than if those who purchased fuel less often were the ones who usually used the main exchange when purchasing gasoline. Contingency tables were developed to compare responses for relationships.

a. Shopping the Main NEX Store When Purchasing Gasoline

Question # 7 asked "When you purchase gas on base, how often do you (or your spouse) also shop at the main exchange or outlet stores?" A total of 177 responses were received with no answers in the "always" category, 23 (13%) responded "usually," and 99 (55.9%) indicated "sometimes". Table 12 compares these responses to the frequency of gas station usage in question # 5. This reveals that 105 (72.4%) of the 145 respondents who said they "usually" and "sometimes" shopped the main exchange when purchasing gas use the gas station "almost everytime." This provides evidence of a link between the gas station and the main exchange. Because people usually purchase gas more often than they go retail shopping, the gas station may be a draw for the retail store. However, the reverse is also possible.

b. Main NEX Store Shopping Without a Gas Station

Question # 9 also intended to provide feedback on the business draw of the NEX gas station for the main exchange. Question # 9 asked, "If the exchange no longer had

a gas station, would you (or your spouse) change how frequently you used the main exchange and outlets?" This question had two possible responses, "no change" and "would shop less often." The majority stated that closing the NEX gas station would not affect how frequently they used the main store, 112 (63.3%). The remaining respondents, 65 (36.7%), claimed they would shop less often. Question five was again used in conjunction with question # 9 to determine which category of customer responded to each choice (see Table 13). 55 (37.9%) respondents who use the gas station "almost everytime" they fill up indicated they would shop the main store less often. Adding in those who claim to use the station "sometimes" indicates that a total of 64 (37.4%) respondents claim they would use the store less often if the station closed.

Finally, questions # 7 and # 9 are compared in Table 14. This shows how respondents say their shopping patterns would change if the station no longer had a gas station, in comparison to how often they now shop the main store when purchasing gasoline. Results show that the 122 respondents who "usually" and "sometimes" use the main store when purchasing gasoline are almost evenly split on how a closure of the gas station would affect their shopping. 67 (54.9%) respondents of these two groups would not change their shopping pattern, and 55 (45.1%) would shop the retail store less often.

TABLE 12

CONTINGENCY TABLE

COMPARISON OF NEX GAS STATION CUSTOMER SURVEY
QUESTIONS # 5 TO # 7

5. How often do you (or spouse) use the Navy
Exchange gas station?

Question # 7	Almost everytime I fill-up		Sometimes (every few months)		Seldom (1 or 2 times per year)		Totals	
	f	%	f	%	f	%	f	%
Always	0	0	0	0	0	0	0	0
Usually	21	14.5	2	7.7	0	0	23	13.0
Sometimes	84	57.9	13	50.0	1	16.7	98	55.4
Seldom	39	26.9	10	38.5	4	66.6	53	29.9
Never	1	0.7	1	3.8	1	16.7	3	1.7
Totals	145	100.0	26	100.0	6	100.0	177	100.0

7. When you purchase gas on base, how often do you (or your
spouse) also shop at the main exchange or outlet stores?

Note: Question # 5 also has a response category for "never"
using the NEX gas station. These 12 responses were not included
in this table because they do not apply to question # 7.

TABLE 13

CONTINGENCY TABLE

**COMPARISON OF NEX GAS STATION CUSTOMER SURVEY
QUESTIONS # 5 TO # 9**

**# 5. How often do you (or spouse) use the Navy
Exchange gas station?**

Question # 9	Almost everytime I fill-up		Sometimes (every few months)		Seldom (1 or 2 times per year)		Totals	
	f	%	f	%	f	%	f	%
No change	90	62.1	17	65.4	5	83.3	112	63.3
Would shop less often	55	37.9	9	34.6	1	16.7	65	36.7
Totals	145	100.0	26	100.0	6	100.0	177	100.0

**# 9. If the exchange no longer had a gas station, would you (or
your spouse) change how frequently you used the main exchange and
outlets?**

**Note: Question # 5 also has a response category for "never"
using the NEX gas station. These 12 responses were not included
in this table because they do not apply to question # 9.**

TABLE 14
CONTINGENCY TABLE
COMPARISON OF NEX GAS STATION CUSTOMER SURVEY
QUESTIONS # 9 TO # 7

9. If the exchange no longer had a gas station, would you (or your spouse) change how frequently you used the main exchange and outlets?

Question # 7	No Change		Would shop less often		Totals	
	f	%	f	%	f	%
Always	0	0	0	0	0	0
Usually	10	8.9	13	20.0	23	13.0
Sometimes	57	50.9	42	64.6	99	55.9
Seldom	42	37.5	10	15.4	52	29.4
Never	3	2.7	0	0	3	1.7
Totals	112	100.0	65	100.0	177	100.0

7. When you purchase gas on base, how often do you (or your spouse) also shop at the main exchange or outlet stores?

These results indicate that the location of the gas station does increase main exchange shopping sales. This further confirms the apparent link noticed while analyzing question # 7. A closure of the gas station could reduce purchases in the retail store by some of the gas station's steady customers. The potential impact of this has not been quantified for two reasons: (1) the total number of customers using the NEX gas station was not reviewed, and (2) the average dollar purchases at the main exchange by gas station patrons is unknown.

c. Effect of a Temporary Gas Station Closure On Overall NEX Sales

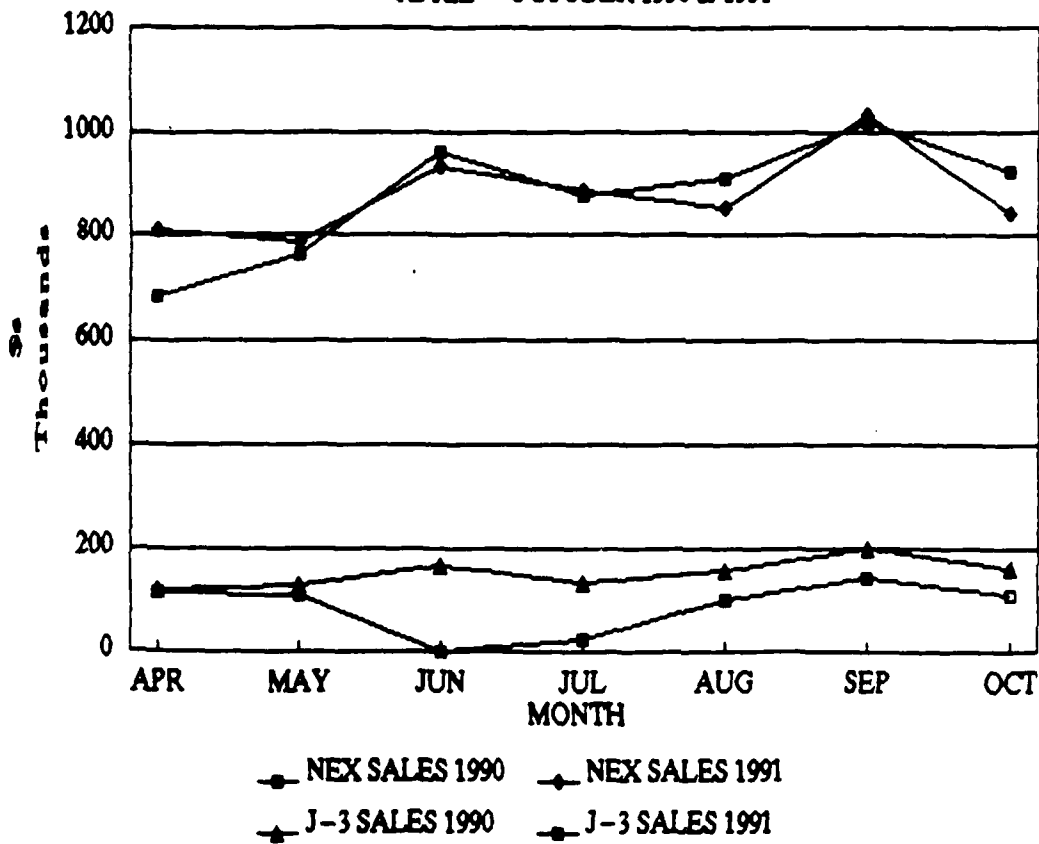
In an effort to further investigate the apparent location relationship revealed in the survey analysis, sales figures for the entire NPS Navy Exchange were reviewed from April 1991 through October 1991. As previously discussed, the NEX gas station was partially closed during the months of July and September. The figures were reviewed to determine if sales for the Navy Exchange had decreased more than the amount of lost NEX gas station sales. The same months were also reviewed in 1990 to see if sales relationships between the entire NEX and Department J-3, Fuels, were significantly different than in 1991. This data is presented graphically in Figure 4. Department J-5, Automotive Shop, sales during the same periods in 1990 and 1991 were also reviewed to see if the

FIGURE 4

TOTAL NEX SALES TO TOTAL FUEL SALES
NPS, MONTEREY, CALIFORNIA

COMPARISON OF NEX TO J-3 SALES

APRIL - OCTOBER 1990 & 1991



gas station closures adversely impacted automotive shop sales. This data is presented in Figure 5.

Comparisons of the data do not reveal any connection between sales changes in total NEX sales, Department J-5 and Department J-3. The automotive shop had steady sales and does not appear to have been affected by the shut-downs of the gas station in 1991. Information was not available to determine causes of main NEX sales fluctuations.

Taken in the context of the survey, the gas station may provide some business draw to the main store but the relationship is not strong enough to quantify.

3. Customer Sensitivity to Fuel Prices

In question # 4, a total of 140 (74.1%) respondents indicated that they were aware of fuel prices in town compared to the exchange. Of the remaining, 19 (10%) answered "no" and 30 (15.9%) said "sometimes." A weakness of the survey was not including a follow-on question to ask if prices govern their decision on where to purchase fuel. Table 15 was developed to compare responses of question # 5 on the frequency of gas station use to question # 4 on whether customers are aware of comparative prices. Of those who use the gas station "almost everytime" they fill-up, 109 (75.2%) are aware of comparative prices in town and on base. Combining this category with those who sometimes use the station, 130 (92.9%) are aware of prices in town.

FIGURE 5

TOTAL FUEL SALES TO AUTOMOTIVE SHOP SALES
NPS, MONTEREY, CALIFORNIA

COMPARISON OF J-3 TO J-5 SALES

APRIL - OCTOBER 1990 & 1991

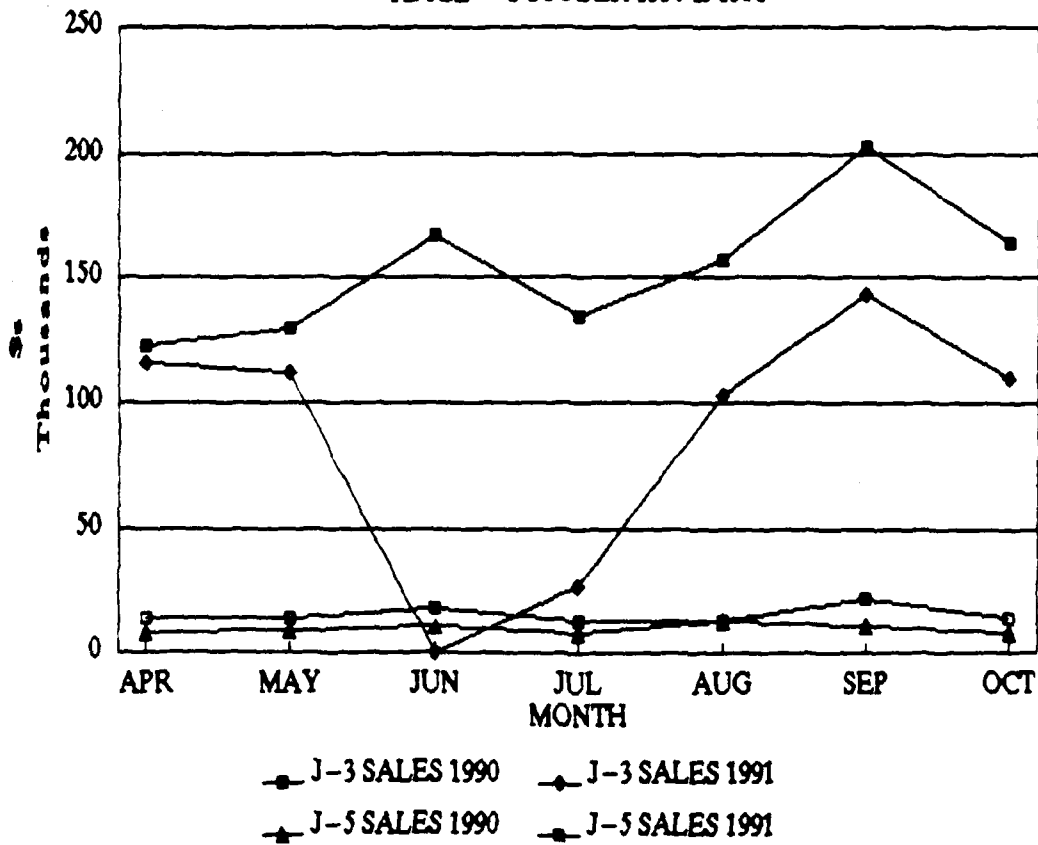


TABLE 15
CONTINGENCY TABLE
COMPARISON OF NEX GAS STATION CUSTOMER SURVEY
QUESTIONS # 5 TO # 4

5. How often do you (or spouse) use the Navy
Exchange gas station?

Ques. #4	Almost everytime I fill-up		Sometimes (every few months)		Seldom (1 or 2 times per year		Never		Totals	
	f	%	f	%	f	%	f	%	f	%
Yes	109	75.2	21	80.8	5	83.3	5	41.7	140	74.1
No	12	8.2	1	3.8	1	16.7	5	41.7	19	10.0
Some- times	24	16.6	4	15.4	0	0	2	16.6	30	15.9
Totals	145	100	26	100	6	100	12	100	189	100

4. Are you aware of gasoline prices in town compared to
exchange prices?

F. VALUE OF SAVINGS RECEIVED FROM SOCIETY

In addition to the main research questions regarding costing practices and upgrade alternatives, rough estimates of consumer savings and tax savings enjoyed by military patrons and the NEX were used to further clarify the value of the fuel service and the cost of providing it. The consumer savings and fuel net contributions measure the total net value of the fuel service. The tax savings measure society's cost to provide this benefit. The intention is to evaluate the cost to society of savings provided to the NEX which are then partially passed along to NEX gas station customers.

The cost exemptions discussed in Chapter IV, Section E, were used as the basis for the tax savings. Actual FY 1992 NEX gas station sales of \$1,799,020 were used to determine sales tax breaks. The following assumptions have been made: Consumer demand for fuel is inelastic over the price per gallon ranges involved; the quantity of fuel sold annually has been held constant at 1,066,000 gallons for regular unleaded, and 365,000 gallons for super unleaded (from a July 1991 through July 1992 NPS student study of fuel volume sold); and cost breaks can be allocated as 75% to regular unleaded fuel, and 25% to premium unleaded based on the distribution of quantities sold.

A summary of consumer and tax savings is presented in Exhibit 8.

EXHIBIT 8

NEX GAS STATION CONSUMER AND PRODUCER SURPLUSES PROVIDED BY SOCIETY

ANNUAL ESTIMATED DOLLAR VALUES FY 1992

CONSUMER SAVINGS			TAX SUBSIDIES		
	Low	High		Low	High
Regular Unleaded	10,660	95,940	Regular Unleaded	435,745	440,995
Premium Unleaded	0	32,850	Premium Unleaded	145,248	146,998
TOTAL	10,660	128,790		580,993	587,993

TOTAL NET SOCIAL VALUE OF NEX FUEL SERVICE

CONSUMER SAVINGS + NET CONTRIBUTION - TAX SUBSIDIES

Low Range \$10,660 + \$248,120 - \$580,993 = - \$322,213

High Range \$128,790 + \$248,120 - \$587,993 = - \$211,083

Rounded estimate range: - \$322,000 to - \$211,000 total cost.

NOTES.

- Consumer savings is the total savings provided to NEX gas station customers through lower fuel prices than charged in the civilian market.

- Tax subsidies are the total amount of estimated Federal, state and local taxes and annual fees, insurance premiums, and NPS provided support that the NEX gas station does not pay.

- Cost breaks for tax subsidies have been allocated 75% to regular unleaded and 25% to premium unleaded based on volume. Quantity assumed fixed at 1,066,000 gallons regular and 365,000 gallons of premium unleaded sold from July 1991-1992.

1. Consumer Savings

The consumer savings is provided to NEX gas station patrons from the difference between the average civilian fuel prices and the NEX gas station's prices. The price difference per gallon times the number of gallons sold by the NEX gas station equals the total consumer savings.

The market surveys of gasoline prices in the local area were used for estimated price differentials per gallon. For regular unleaded, savings ranged from 0.1¢ to 9.0¢ per gallon. For premium unleaded, savings ranged from 0¢ to 9.0¢ per gallon. These values times the assumed fuel volumes result in a total consumer surplus of from \$10,660 to \$128,790.

2. Tax Savings

The tax savings are the value of the NEX gas station's tax breaks and subsidies that a comparable civilian service station pays to operate. Included in this analysis are: Federal fuel excise tax of 14¢ per gallon; State fuel excise tax of 17¢ per gallon; State sales tax of 7.25%; Annual environmental liability insurance premiums of \$5,000; Annual workman's compensation insurance premiums of from \$8,000 to \$15,000; and NPS base support of \$1,000 annually for tank testing and \$10,512 of annual depreciation costs for the 1991 vapor recovery upgrade. One time costs for building permits

and the cost of base security and fire protection were not included.

According to Exhibit 8, the NEX fuel service has a negative net social value. While this service is profitable to the NEX, contributes funds to MWR and provides consumer savings, these benefits are outweighed by the tax and other subsidies that the NEX receives. While upgrading the fuel tanks is profitable to the NEX, it does not make sense from society's financial viewpoint.

VI. CONCLUSIONS AND RECOMMENDATIONS

Conclusions and recommendations will now be discussed based on the data analyzed, observations made and knowledge gained during the course of the study. Areas are discussed in the same order as addressed in previous chapters.

A. COSTING PRACTICES OF THE NEX GAS STATION

The costing practices and procedures of the Navy Exchange Gas Station are generally sound. Total revisions of \$20,276 were made to the SC05 Cost Report in this study. Cancelling amounts though resulted in only a 4.2% (\$3,748) increase to total expenses for FY 1992. This represents a 1.5% decrease in total net contribution. These revisions are not material; however, areas of cost accounting that can be adjusted to provide a more accurate and complete cost picture are discussed in follow-on paragraphs.

1. Internal Costing Practices

Accounting can be made more accurate by including traceable costs of support provided by the Naval Postgraduate School. This includes the annual tank testing costs and the capitalization of projects funded by the Naval station.

NEX gas station managers need to be aware of the tendency to over allocate shared NEX costs to Department J-3 because of its relative profitability. Over allocating costs

to Department J-3 may result in poor future business decisions for either the gas station, or other NEX service outlets.

The payroll costs of the service station supervisor should be redistributed to reflect actual effort expended between the gas station, auto mechanics and the automotive parts store. Miscellaneous expenses, such as waste oil disposal costs incurred by the auto mechanic operations, Department J-5, need to be separated from gas station operations.

B. GAS STATION UPGRADE ALTERNATIVES

Alternative II, Replace the USTs in 1998, is the most cost effective alternative. Its 1993 present value of costs is \$245,535. Payback for this alternative is estimated at 17.5 months. This also considers the impact of the time required to rebuild sales volume after re-opening.

Replacing the three USTs in 1993 was dismissed because of the satisfactory operating condition of the station and the realistic time frames needed to plan, develop, and arrange funding for Navy projects. The current gas station arrangement will also allow the NEX to get the maximum use out of their existing assets before the environmental laws require the 1998 tank upgrade.

Alternative III, replace the USTs with ASTs in 1998, was cost prohibitive with 1993 present value costs of \$475,971. Even if the aboveground storage tank option had the lowest

present value cost of the alternatives, it would not be recommended. This alternative is considered too risky to implement onboard NPS. The location and concentration of personnel in the area around the NEX gas station are not compatible with the fire and explosion risks associated with ASTs. In addition to air pollution from gasoline vapors and fire safety concerns, physical space constraints would also make this option difficult to implement.

C. GAS STATION CUSTOMER SURVEY

The survey provided answers to the three questions investigated: 1) How much do customers value the availability of fuel on base; 2) Is the current location of the gas station a business draw for the main NEX retail store; and 3) Are customers aware of and sensitive to fuel prices?

A 95% confidence level with margins of error plus or minus 6.8% was determined for the survey results. Conclusions for each main survey question follow.

1. Customer Value of Gas Station

Respondents were overwhelmingly in favor of keeping the service station in operation. Over 80% of the responses were in favor of continued availability of fuel on base. The NEX gas station's positive net contributions are another indication that customers value the service or they would not be patronizing the station.

2. Gas Station Location Effect on Main NEX Store Sales

According to respondents, the co-location of the main exchange and the gas station appears to increase main exchange shopping sales (and conversely gas station sales). However, this relationship could not be confirmed through a review of NEX sales, gas station sales and automotive shop sales during 1991 shut downs of the gas station. A quantitative value could not be assigned from the results of this study. The total number of customers using the NEX gas station was not collected from gasoline sales receipts, and the average main exchange purchase amount by gas station patrons is unknown.

Qualitative results indicate 72% of the customers who use the gas station almost everytime they fill-up use the main exchange store at the same time either "usually" or "sometimes." Approximately one half of the steady users of the NEX gas station said they would shop in the main exchange less if the station was closed.

3. Customer Sensitivity to Fuel Prices

Survey responses, in conjunction with the results of the local market surveys of gasoline prices at civilian service stations, indicate that NEX gas station customers are aware of price savings afforded by the NEX. They most likely are behaving in a price sensitive manner. Of those who use the NEX gas station "almost everytime" they fill-up, over 70% are aware of comparative prices in the local area.

D. COSTS OF SAVINGS PROVIDED TO THE NEX GAS STATION

The cursory analysis done in this study seems to indicate that the cost to society of savings provided to the NEX gas station outweigh the benefit provided by the NEX gas station. From a purely financial viewpoint, it does not make sense for society to provide these savings through tax and insurance breaks. Rough estimates of the annual net social value of the NEX fuel service are from a negative \$211,000 to a negative \$322,000.

These results may indicate that the NEX gas station is not run as cost efficiently as a comparably sized civilian gas station. The NEX station may be profitable only because of the large profit margins resulting from the subsidies. This is not a surprising conclusion for a subsidized operation. It is also not at odds with the intent of Congress when it authorized the establishment of the NEX system in 1946. The NEX gas station does meet their charter by providing service members with a product of comparable value to what is available in the civilian sector, and it does so without excessively competing with the civilian market.

E. FURTHER RECOMMENDATIONS

Recommendations in this section are based on problems encountered and observations made in the course of this study.

1. Recommended Changes to Current NEX Practices

a. NEX Record Keeping

The NEX office does not maintain comprehensive sales volume records on gasoline sold beyond what is needed to maintain current inventory records. Handwritten records exist for the current fiscal year, but no distinction is made between regular unleaded and premium unleaded gasoline volumes.

There is currently not a way to determine the actual relationship of past sales dollar amounts to past sales volumes. Attempts to obtain delivery records from the fuel delivery trucking firm were unsuccessful for past year sales volumes. This limits the ability to determine if changes in total sales dollars result from changes in volume sold or from price adjustments. The consumer price index for motor fuels had to be used to analyze past sales dollar levels.

The NEX should begin collecting and compiling monthly sales quantities of each fuel grade sold and their average price per gallon on one consolidated monthly report. Over time, these figures would aid NEX managers in budgeting more accurate sales and gross profit figures. In addition, a history of volume figures would aid in planning future fuel storage upgrades coinciding with the size of the operation.

b. Gasoline Market Surveys

Monthly gasoline market surveys are kept on hand for the current fiscal year, and then the records are moved into storage. However, when an attempt was made to find prior fiscal year's records, only partial records could be found. The surveys are the only known historical source of the sales price per gallon charged for regular unleaded and premium unleaded gasoline. Financial reports do not distinguish between types of fuel in total sales and cost of goods sold. As a result, no analyses of past price changes and their effect on sales volumes can be made at the local level.

The NEX should maintain on hand at least the past four fiscal year's monthly gasoline price data from their market survey forms. This data would be most useful if consolidated with the sales volume figures discussed on the preceding page.

2. Further Research Questions

a. Society's Cost of Subsidizing NEX Gas Stations

The previous section on the loss to society from subsidies provided to the NEX gas station could easily be expanded into thesis level research through a detailed analysis. The dead weight loss to society for the subsidies could be determined by constructing a demand curve that is elastic, instead of the inelastic one assumed in this study. Subsidy values could be further refined and expanded to

include all NEX gas stations. The main research question would be to determine the total dead weight loss to society of subsidizing exchange service stations.

b. Upgrade Funding Source

The question of which Naval activity should fund NEX gas station upgrades was beyond the scope of this study. However, this issue is a point of contention between many Navy Exchanges and station Public Works Departments. The exchanges believe that it is in the base's best interest to provide capital improvement support at no cost to the NEX system. This increases the NEX's ability to contribute MWR funds. Most Public Works Departments are opposed to using limited station funding, sized for existing base facilities, for NEX facilities. NEX facilities are normally not part of station owned property. The arguments presented by both sides could be collected and reviewed for validity. Based on this research, a resulting recommendation could be issued.

c. Siting of the NEX Gas Station

The current location of the NPS NEX gas station is poor from an environmental standpoint. The close proximity to the shores of Del Monte Lake and the high groundwater in the area (six to eight feet below the ground surface) provides strong potential for groundwater pollution and a quick migration of any potential fuel spill into the lake.

In light of the upcoming requirement to replace all NEX gas Station USTs, a study could be conducted to review possible new locations for the gas station. The study should include a market study of customers, site environmental and access studies, construction estimates, etc.

d. Gasoline Product Lines

The NPS NEX gas station does not carry a mid-grade unleaded fuel. Almost all comparable civilian service stations offer three grades of gasoline products: regular unleaded, mid-grade unleaded and super unleaded. A study could be conducted to determine if the addition of this product line would increase the existing customer base enough to make the action profitable.

F. SUMMARY

This study has answered the research questions initially presented. Navy Exchange costing practices at NPS are sound, and with some minor adjustments, an even higher accuracy of record keeping could be attained.

In light of environmental compliance concerns, Alternative II, replacing the underground storage tanks with new ones in 1998, is the best of the three options considered. Present value 1993 costs of this alternative is \$214,451 and the estimated payback is 15.5 months.

The NPS NEX gas station provides a service valued by enough of its potential customer base to make it profitable.

However, a cursory look at the tax subsidies provided to the NEX gas station, by virtue of its status as a federal facility, indicate that cost savings measures should be reviewed in an attempt to cut operating costs and further capitalize on the benefits provided. While no one area has been singled out, total expenses appear higher than what a comparable civilian gas station forced to exist in the market would experience.

The NEX gas station meets the mandates of the Congress and conforms to the policies and procedures of the Navy Exchange system. Continued operations and pursuit of the required 1998 facility upgrade are justified based on the criteria used to evaluate the operation.

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APPENDIX A. ENVIRONMENTAL REGULATIONS

**COMPILED FROM RADIAN CORPORATION
RETROFIT STUDY OF UNDERGROUND STORAGE
TANKS AT THE NAVAL POSTGRADUATE SCHOOL
MONTEREY, CALIFORNIA**

JULY 1992

Table 4-1
Summary of Relevant Federal and California New Underground Storage Tank
Construction and Monitoring Standards

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.20(a) CCR Article 3 Section 2631	All new tanks and piping shall be required to have primary and secondary levels of containment	<p>Effective July 1, 1991 for tanks and January 1, 1992 for piping.</p> <p>Exterior of tank shall be marked, code stamped, or labeled with system specifications.</p> <p>A primary containment system shall have wear plates below all accessible openings.</p> <p>Secondary containment for multiple primary containers shall be large enough to contain 150% of the volume of the largest primary container.</p> <p>If secondary containment is open to rainfall, it shall accommodate volume of precipitation during a 24-hour, 25-year storm.</p> <p>Secondary containment systems utilizing membrane liners shall be certified by an independent testing organization and be installed under the direct supervision of a representative of the fabricator or certified contractor.</p> <p>All tanks shall provide 100% secondary containment unless equipped with the overfill protection system.</p>	<p>UST notification form to local agency (within 30 days).</p> <p>Certificate of Compliance for cathodic protection; cathodic protection analysis required if cathodic protection not used.</p>

Table 4-1
(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.43(g) and 280.44 (a & c) CCR Article 3 Section 2632	Monitoring requirements, initial responses, and response plan	<p>Exterior surfaces of the underground storage tanks and directly beneath the tank shall be capable of being monitored by direct viewing or by a continuous monitoring system.</p> <p>Visual inspections shall be performed daily, except on weekends and holidays. Liquid level shall be recorded at each inspection.</p> <p>If liquid is observed during inspection, liquid shall be tested, conduct appropriate integrity test. If leak is confirmed, empty tank and secondary containment.</p> <p>Interstitial space of the tank and the secondary containment system shall be monitored continuously, with a monitoring system connected to an audible and visual alarm system.</p> <p>Automatic line leak detectors shall be installed on underground pressurized piping and capable of detecting a 3-gallon/hour leak at 10 psi.</p> <p>A written routine monitoring program shall establish the frequency of monitoring, methods and equipment used, location, name and title of personnel, reporting format, preventive maintenance schedule, and training program description.</p>	

Table 4-1
(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.43(g) and 280.44 (a & c) CCR Article 3 Section 2632 (Continued)		<p>Response plan shall demonstrate that any unauthorized release will be removed from secondary containment.</p> <p>Response plan shall include description of methods and equipment used for removing and disposing of hazardous substances, location and availability of equipment, equipment maintenance schedule, and name and title of personnel</p>	
40 CFR 280.20 (a) CCR Article 3 Section 2633	Alternate construction requirements for new motor vehicle fuel underground storage tanks	<p>Underground storage tanks shall be composed of fiberglass reinforced plastic, cathodically protected steel, or steel clad with fiberglass reinforced plastic.</p> <p>Owner of tank shall demonstrate leak interception and detection system can detect a release before it can escape from containment.</p> <p>Floor of any leak interception and detection system shall be constructed on a firm base sloped to a collection sump.</p> <p>Access casing shall be installed in the collection sump of any secondary containment system with backfill in the interstitial space.</p> <p>Leak interception and detection system shall prevent the contact of any leaked hazardous substance with groundwater.</p>	<p>UST notification to local agency (within 30 days).</p> <p>Certificate of Compliance for cathodic protection; cathodic protection analysis required if cathodic protection not used.</p>

Table 4-1
(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.41 CCR Articles 3 & 4 Sections 2634 and 2646	Monitoring and response plan standards for new motor vehicle fuel underground storage tanks	<p>After January 1, 1993, inventory reconciliation and other leak detection method that utilizes manual stick readings shall not be used where groundwater is less than 20 feet below the bottom of the tank.</p> <p>Manual stick readings shall not be used after December 22, 1998.</p> <p>Meters used for inputs and withdrawals shall comply with CCR, Title 4, Chapter 9, Subchapter 1.</p> <p>Quantity measurements shall be based on liquid level measurements which are performed during periods of no additions or withdrawals, performed by trained personnel, determined by equipment capable of measuring to the full range of tank's height and to the nearest one-eighth of an inch, measured at the center of the longitudinal axis of the tank, and volume measurements on a calibration chart.</p> <p>Monthly variations exceeding 1% of the monthly tank delivery plus 130 gallons must be investigated.</p> <p>The owner shall, on an annual basis, submit a statement to the local agency which states all inventory reconciliation data. The owner shall notify local agency of a suspected unauthorized release within 24 hours.</p> <p>A written routine procedure shall be prepared and specify methods for determining possible unauthorized releases.</p> <p>A response plan for an unauthorized release shall be developed prior to the tank system being put into service.</p>	

Table 4-1 (Continued) 10/2005 100-15-0100g

Table 4-1

(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 260/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 260.20 (d), 260.30, 260.31, and 260.41 (b) CCR Article 3 Section 2635	Installation and testing requirements for new underground storage tanks and piping	<p>All tanks shall be tested at the factory before being transported.</p> <p>Outer surface of tanks and piping constructed of steel shall be protected from corrosion by cathodic protection or a protective coating or cladding.</p> <p>Before and after installation, all tanks and piping shall be tested for tightness. All secondary containment systems shall pass a post-installation test.</p> <p>All tanks subject to flotation shall be anchored.</p> <p>A secondary containment system is not required for vapor recovery piping, vent piping, or tank riser piping provided the primary containment system is equipped with an overflow prevention system. Secondary containment is not required for suction piping if it operates at less than atmospheric pressure, is sloped toward tank, or no valves or pumps are installed in the line.</p> <p>All underground storage tanks shall be equipped with a spill container and an overflow prevention system.</p> <p>Secondary containment system shall include leak interception and detection systems.</p> <p>Owners shall certify that the installer has been trained and certified by the state license board and tank and piping manufacturers.</p>	<p>Maintain cathodic protection test results of last 3 inspections.</p> <p>Certification of Compliance for installation.</p>

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Table 4-1
(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.20 (d), 280.30, 280.31, and 280.41 (b) CCR Article 3 Section 2635 (Continued)		<p>The tank, primary piping, and any secondary containment systems were installed according to applicable voluntary consensus standards and any manufacturer's instructions.</p> <p>Installation has been inspected and approved by the local agency or certified professional engineer with tank experience.</p>	

CCR - California Code of Regulations
 CFR - Code of Federal Regulations
 NOTE: Many sections of the CCR, Title 23 Underground Storage Tank Regulations adopt and reference 40 CFR 280.

Table 4-2
Summary of Relevant Federal and California
Existing Underground Storage Tank Monitoring Standards

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.41 (a) CCR Article 4 Section 2641	Monitoring program requirements	<p>Owners of existing tanks shall implement a monthly monitoring program which is capable of detecting any unauthorized release.</p> <p>Underground piping shall be exempt from the monitoring program if the local agency determines that the piping operates at less than atmospheric pressure, is sloped toward the tank, and no valves or pumps are installed in the piping.</p> <p>Tank systems shall be exempt from visual monitoring if a portion of the tank is not accessible for direct viewing, visual inspection would be hazardous, or the tank is at a facility not staffed on a daily basis. All tank systems exempt from visual monitoring shall include non-visual monitoring.</p> <p>The monitoring program must be approved by the local agency.</p> <p>Equipment and devices used in the monitoring program shall be installed, calibrated, operated, and maintained in accordance with manufacturer's instructions.</p> <p>When an unauthorized release is indicated during the installation of a release detection system, the installation operation shall cease.</p> <p>When an unauthorized release may have occurred, the owner shall replace, repair, or close the tank.</p>	Submit monitoring program plan to local agency.

**Table 4-2
(Continued)**

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280.41(a), CCR Article 4 Section 2642	Visual monitoring	<p>40 CFR 280.41(a), CCR Article 4 Section 2642</p> <p>All visible exterior surfaces of the tank and any visible horizontal surface beneath the tank shall be inspected daily.</p> <p>A written statement of the routine monitoring program and the record of the inspections shall be available at the facility.</p> <p>Written records shall be maintained and shall include recordation of the liquid level in the tank.</p> <p>If any liquid is observed around or beneath the tank, the liquid shall be analyzed in the field or laboratory and the tank shall be tested.</p>	Maintain written records.

**Table 4-2
(Continued)**

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.40, 280.41 (a), 280.43 (c & d), and 280.44 (a) CCR Article 4 Section 2643	Non-visual monitoring/quantitative release detection methods	<p>Tank monitoring shall be conducted monthly and be capable of detecting a release of 0.2 gallon per hour; or annually and be capable of detecting a release of 0.1 gallon per hour.</p> <p>Piping monitoring shall be conducted hourly and be capable of detecting a release of three gallons per hour; and monthly and capable of detecting a release of 0.2 gallon per hour; or annually and capable of detecting a release of 0.1 gallon per hour.</p> <p>Any piping systems operating at less than atmospheric pressure shall be monitored every three years and be capable of detecting a release of 0.1 gallon per hour.</p> <p>Each quantitative release detection method, with the exception of inventory reconciliation and manual tank gauging, shall have a performance standard certification.</p> <p>The tank owner shall notify the local agency 48 hours prior to conducting any tank integrity test.</p> <p>If an automatic tank gauge is used as a method of release detection, the automatic tank gauge shall generate a hard copy of all data.</p>	<p>Hard copy record generated and kept for one year.</p> <p>Submit performance claims and how determined; maintain records for 5 years.</p> <p>Maintain documentation of servicing for 1 year.</p> <p>Maintain manufacturers schedules of required servicing for 5 years.</p> <p>Maintain results for 1 year.</p> <p>Report to local agency.</p>

**Table 4-2
(Continued)**

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 260/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.40 and 280.43 CCR Article 4 Section 2644	Non-visual monitoring/qualitative release detection methods	Vadose zone monitoring. See Section 2647. Groundwater monitoring. See Section 2648.	Submit performance claims and how determined; maintain records for 5 years. Maintain documentation of servicing for 1 year. Maintain manufacturers schedules of required servicing for 5 years. Maintain results for 1 year. Report to local agency.
40 CFR 280.41 (a) and 280.43 (a & b) CCR Article 4 Section 2645	Manual tank gauging and testing	Used as part of non-visual monitoring for tanks with capacities less than 2,000 gallons. Shall not be used on tanks with secondary containment. Owners who utilize manual tank gauging shall conduct weekly gauging for 36 continuous hours.	

Table 4-2
(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 260/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 260.41 (a) CCR Article 4 Section 2646	Inventory Reconciliation	<p>After January 1, 1993, inventory reconciliation and other leak detection methods that utilize manual stick readings shall not be used where groundwater is less than 20 feet below the bottom of the tank.</p> <p>Manual stick readings shall not be used after December 22, 1998.</p> <p>Tanks shall be monitored individually using an inventory reconciliation system that takes into account separate daily measurements for hazardous substance and water layer, daily input and withdrawal readings, and checking of product inputs indicated by delivery receipt by measurement of the tank inventory volume before and after delivery.</p> <p>Meters used for inputs and withdrawals shall comply with CCR, Title 4, Chapter 9, Subchapter 1.</p> <p>Quantity measurements shall be based on liquid level measurements which are performed during periods of no additions or withdrawals, performed by trained personnel, determined by equipment capable of measuring to the full range of tank's height and to the nearest one-eighth of an inch, measured at the center of the longitudinal axis of the tank, and volume measurements based on a calibration chart.</p> <p>Monthly variations exceeding 1% of the monthly tank delivery plus 130 gallons must be investigated.</p> <p>The owner shall, on an annual basis, submit a statement to the local agency which states all inventory reconciliation data. The owner shall notify local agency of a suspected unauthorized release within 24 hours.</p> <p>A written routine procedure shall be prepared and specify methods for determining possible unauthorized releases.</p>	Written routine procedures shall be prepared.

100-15-03/Rev. 1

**Table 4-2
(Continued)**

Regulatory Citations	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.43 (e) and 280.44 (c) CCR Article 4 Section 2647	Vadose zone monitoring requirements	Vapor monitoring, soil-pore liquid monitoring, or a combination may be used. Vadose zone monitoring shall not be the sole release detection method. Vadose zone vapor monitoring shall be conducted continuously. Monitoring points shall be located within the excavation backfill and locations will be approved by the local agency.	Locations approved by local agency.
40 CFR 280.43 (f) and 280.44 (c) CCR Article 4 Section 2648	Groundwater monitoring requirements	Groundwater monitoring may be used with other release detection methods or as the sole release detection method where substance stored is immiscible with water, has a specific gravity of less than one, at least one-eighth of an inch of free product can be detected with monitoring devices, groundwater level is less than 20 feet deep, hydraulic conductivity of soil is at least 0.01 cm/sec, groundwater has no beneficial use, and wells are located within the tank excavation zone. Minimum well requirements include 2 wells for single tank, 3 wells for 2 or 3 tanks, and 4 wells (2 downgradient) for 4 or more tanks. Wells for pipelines will be determined by the local agency. Groundwater monitoring shall be conducted continuously or at least monthly.	

Table 4-2
(Continued)

Regulatory Citations	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)	Well construction and sampling requirements	<p>All wells and borings shall be logged for soil type according to the USCS with all wet zones logged.</p> <p>Soil samples shall be collected from all borings unless the local agency waives this requirement.</p> <p>All tools and equipment shall be steam cleaned and samples of well supplies retained for 90 days.</p> <p>If evidence of contamination is detected, drilling shall be halted.</p> <p>The highest anticipated water levels shall be determined by existing data or one downgradient boring.</p> <p>All wells shall extend 20 feet below the water table and 15 feet below the bottom of the tank but shall not penetrate impermeable zones thicker than 5 feet. Screens will extend 5 feet above the water table. All wells will have bottom caps, filter packs, seals, and well head security. Wells will be developed 72 or more hours following construction.</p> <p>Vadose zone wells will follow the same construction standards as a groundwater well, but will be above any free water zones and at least 5 feet below the bottom of the tank.</p> <p>Qualitative release detection methods shall include consistent sampling and analytical procedures and be included in the permit records.</p>	Records of qualitative release detection methods are included in permit records.

CCR - California Code of Regulations
 CFR - Code of Federal Regulations
 NOTE: Many sections of the CCR, Title 23 Underground Storage Tank Regulations adopt and reference 40 CFR 280.

Table 4-3
Summary of Relevant Federal and California
Underground Storage Tank Upgrade Requirements

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.21 (b) CCR Article 6 Section 2662	Underground Storage Tank Upgrade Requirements	<p>All tanks shall be retrofitted with secondary containment before December 22, 1998.</p> <p>Owners of steel tanks shall retrofit those tanks with secondary containment or provide interior lining and exterior cathodic protection by December 22, 1998.</p> <p>The interior lining (coating) shall be applied in accordance with nationally recognized engineering practices. The lining shall be inspected by a coatings expert within 10 years of lining and every 5 years thereafter.</p> <p>All cathodic protection wells must be constructed in accordance with applicable state and local well regulations. Field-installed cathodic protection systems shall be designed and certified as adequate by a corrosion specialist.</p> <p>The cathodic protection systems shall be tested under the direction of a cathodic protection tester within 6 months of installation and at least every 3 years thereafter.</p> <p>Impressed current cathodic protection systems shall also be inspected not less than every 60 calendar days by a cathodic protection tester.</p> <p>Tanks protected with glass fiber reinforced plastic coatings, composites, or equivalent non-metallic exterior coatings or coverings including coating/sacrificial anode systems, shall be tested using an electric resistance holiday detector and shall be checked every 3 years.</p>	

**Table 4-3
(Continued)**

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.21 (d) CCR Article 6 Section 2663	Spill and Overfill Prevention Equipment Upgrade Requirements	<p>All tank systems shall have an overfill prevention system on or before December 22, 1998.</p> <p>The owner must prevent releases due to spilling or overfilling. The owner must ensure that the volume in the tank is greater than the volume of product to be transferred to the tank before the transfer is made.</p>	
40 CFR 280.21 (c) CCR Article 6 Section 2664	Underground Pressurized Piping Upgrade Requirements	<p>All underground pressurized piping not containing motor vehicle fuel shall be retrofitted with secondary containment by December 22, 1998.</p> <p>All underground pressurized piping containing motor vehicle fuel installed on or before January 1, 1984 shall be retrofitted with secondary containment unless the piping is constructed of fiberglass reinforced plastic, cathodically protected steel, or other corrosion resistant materials no later than December 22, 1998.</p> <p>All underground pressurized piping shall be equipped with automatic line leak detectors no later than December 22, 1990.</p> <p>All underground pressurized piping and secondary containment shall be tested for tightness annually.</p>	

CCR - California Code of Regulations
 CFR - Code of Federal Regulations
 NOTE: Many sections of the CCR, Title 23 Underground Storage Tank Regulations adopt and reference 40 CFR 280.

Table 4-4
Summary of Relevant Federal and California
Underground Storage Tank Permanent Closure Requirements

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.71 CCR Article 7 Section 2672(b)	Permanent Closure Requirements	<p>All residual liquids, solids, or sludges shall be removed and handled as a hazardous waste or recyclable material.</p> <p>The tank shall be inerted to levels that shall preclude explosion or lower levels required by local agency.</p> <p>Proper disposal of the tank shall be documented to the local agency.</p> <p>For tanks destined for a specific reuse shall advise the local agency of name of the new owner, location of use, and nature of use.</p>	<p>Notify local agency of tank reuse.</p> <p>Closure report to local agency.</p>
40 CFR 280.71 CCR Article 7 Section 2672(c)	Permanent Closure Requirements (In-Place)	<p>All residual liquids, solids, or sludges shall be removed and handled as a hazardous waste or recyclable material.</p> <p>All piping associated with the tank shall be removed. For removal which might damage structures or other pipes in a common trench, the piping shall be emptied and capped.</p> <p>The tank shall be filled with an inert solid.</p>	
40 CFR 280.71 CCR Article 7 Section 2672(d)	Permanent Closure Requirements (Sampling)	<p>The owner of a tank being closed shall demonstrate to the local agency that no unauthorized release has occurred and shall be based on soil and/or water analysis.</p> <p>Soil samples shall be taken immediately beneath the removal portions of the tank, a minimum of 2 feet into native material at each end of the tank. A separate sample shall be taken for each 20 lineal feet of trench for piping.</p>	

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Table 4-4
(Continued)

Regulatory Citation	Regulatory Standards	Compliance Requirements	Reporting/Record Keeping
40 CFR 280/California Underground Storage Tank Regulations (CCR, Title 23)			
40 CFR 280.71 CCR Article 7 Section 2672(d) Continued	Permanent Closure Requirements (Sampling) Continued	<p>If the tank is not removed, at least one boring shall be drilled as close to the tank midpoint as possible utilizing a slant boring or vertical borings drilled on each long dimensional side of the tank.</p> <p>Samples will be collected a minimum of every 5 feet.</p> <p>If the depth to groundwater is less than 20 feet below ground surface then a well shall be installed adjacent to the tank in the verified downgradient direction.</p> <p>Soil and/or water samples shall be analyzed for all constituents and their breakdown or transformation products previously stored in the tank.</p> <p>If sampling has detected an unauthorized release, the owner shall notify the local agency within 24 hours.</p>	Notify local agency in 24 hours if release detected.

APPENDIX B. SC05 FINANCIAL REPORTS

**NAVY EXCHANGE, DEPARTMENT J-3, FUELS,
NAVAL POSTGRADUATE SCHOOL,
MONTEREY, CALIFORNIA
FY 1988 - 1992**

FORM 3501, 4-15-62 (REV. 1-1-62)										NAVY RESALE AND SERVICES SUPPORT OFFICE										SALEACT MONTEREY, CA										120180										27 JAN 91										SC05										SALES PER										EQUIP										NO OF EQUIP										120180												27 JAN 91												SC05												SALES PER												EQUIP												NO OF EQUIP												120180												27 JAN 91												SC05												SALES PER												EQUIP												NO OF EQUIP												120180												27 JAN 91												SC05												SALES PER												EQUIP												NO OF EQUIP												120180												27 JAN 91												SC05												SALES PER												EQUIP												NO OF EQUIP												120180												27 JAN 91												SC05												SALES PER												EQUIP												NO OF EQUIP												120180												27 JAN 91												SC05												SALES PER												EQUIP												NO OF EQUIP												120180												27 JAN 91												SC05												SALES 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SERVICE DEPT ENPL BENEFITS-OTHER DIS EXP											LEACT MONTEREY, CA			
DEPARTMENT	ACC 312 PROVISION FOR ANNUAL LEAVE	ACC 314 EAMP BEN LOCAL PAID	ACC 316 FARES AICA	ACC 318 RETIRED ADMINISTRATIVE	TOTAL EMPLOYEE BENEFITS	ACC 310 ANNUAL ALLOCATION	ACC 311 STATIONARY & SUPPLIES	ACC 315 REPAIRS & RANDOM REPLACE	ACC 317 UTILITY EXPENSE	ACC 319 MISC EXPENSE	101 OTHER DIRECT EXPENSE			
J1 BARBER SHOP	793 929		702 875	188 322	1882 1328		56 6		50 50	145 169	261 248			
J2 BEAUTY SALON	10502 10513		8304 8304	3128 4404	22605 23079		590 43	382	489 600	2139 2007	3681 2870			
J3 FUEL	312 302		287 313	126 93	706 909		75 2	16 9	64 64	261 301	317 377			
J4 FUEL	5173 5839		3651 4372	1332 2400	10158 12412		556 1136	98 145	723 768	1995 2169	3371 3218			
J5 SERVIC/LABOR	349 339		378 369	186 173	892 982		208 208	389	244 250	283 358	408 468			
J6 SERVIC/LABOR	6076 5624		4380 4332	2180 2319	12816 13276		799 102	3481 4282	5178 5447	20144 3710	23582 13443			
J7 SERVIC/LABOR	335 333		445 433	227 169	1708 985		243 62	213 106	231 25	180 472	927 729			
J8 SERVIC/LABOR	8041 5891		5533 5059	2894 2653	16469 15505		1220 540	2248 718	1720 1943	2232 5681	3056 7880			
J9 SERVIC/LABOR	248 232		199 215	59 192	304 900		77		20 20	214 305	312 525			
J10 SERVIC/LABOR	3480 3590		2538 2542	1675 1760	7492 7892		1237	93	238 240	2054 2152	3635 2392			
J11 SERVIC/LABOR	41 83		37 64	38 45	117 192		58	114 171	247 100	245 95	545 386			
J12 SERVIC/LABOR	1292 1449		877 998	589 341	2259 2488		304 30	467 492	200 1200	2616 3176	4844 4898			
J13 SERVIC/LABOR	372 335		324 386	170 54	892 756		25 6	124 19	215 215	388 245	742 545			
J14 SERVIC/LABOR	7003 5915		5182 5055	2705 1584	14891 12555		891 234	4495 2541	3116 3300	7354 5621	15857 11497			
J15 SERVIC/LABOR	321 332		371 312	177 85	910 724		58	86	100 100	226 725	472 932			
J16 SERVIC/LABOR	4205 4561		3787 4207	1583 1457	9376 10328		924 24	209 268	1128 1200	3262 3658	5824 5451			

[illegible]

APPENDIX D. RADIAN CORPORATION UPGRADE ESTIMATES

FUEL STORAGE TANK UPGRADE ALTERNATIVES I - III

FROM RADIAN CORPORATION RETROFIT STUDY

OF UNDERGROUND STORAGE TANKS

AT THE NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

JULY 1992

Table 5-1
Cost Estimate to Retrofit Existing USTs
Alternative 1

Tank Number	Group 1 Tanks			Group 2 Tanks			Group 3 Tanks		
	234-1	234-2	234-3	330	700	708	348-1	348-2	348-3
Volume (gallons)	10,000	10,000	10,000	6,000	8,000	12,000	10,000	15,000	20,000
Contents	No 5 Oil	No 5 Oil	No 5 (hl)	Diesel	Diesel	Diesel	Unleaded Gas	Unleaded Gas	Super Unleaded Gas
Date Installed	1952	1952	1952	1980	1975	1987	1973	1969	1969
Construction	Single-wall Steel	Single-wall Steel	Single-wall Steel	Single-wall Fiberglass	Single-wall Fiberglass	Double-wall Fiberglass	Single-wall Fiberglass	Single-wall Steel	Single-wall Steel
INITIAL RETROFITTING COSTS (\$)									
Cathodic Protection	3,400	3,400	3,400	6,600 ²	6,600 ²	6,600 ²	N/A	3,400 ¹	3,400 ¹
Overflow/Spill Protection/ATGS	5,300	5,300	5,300	10,600	10,600	10,600	N/A	N/A	N/A
Valve Zone and Groundwater Monitoring - Leak Detection	6,700	6,700	6,700	6,700	6,700	N/A	N/A	N/A	N/A
1998 SECONDARY CONTAINMENT RETROFIT COSTS-TANK REMOVAL COSTS (\$)									
Temporary Fuel Storage	750	750	750	500	600	N/A	750	900	1,200
Concrete Removal	650	650	650	1,000	1,000	N/A	650	650	650
Excavation/Removal/Transportation/Disposal	1,900	1,900	1,900	2,100	2,650	N/A	2,400	2,400	2,400
Soil Sampling/Analysis/Reporting	1,000	1,000	1,000	1,000	1,000	N/A	1,000	1,000	1,000
REPLACEMENT COSTS (\$)									
Labor and Equipment	9,700	9,700	9,700	21,000	21,000	9,700	9,700	9,700	9,700
Tank	15,750	15,750	15,750	12,200	13,650	N/A	15,750	22,500	29,400
Piping and Tie Downs	4,950	4,950	4,950	5,000	5,000	5,000	300	300	300
Electrical	1,350	1,350	1,350	2,500	2,500	2,500	1,350	1,350	1,350
Backfill/Compact	1,000	1,000	1,000	2,900	2,900	1,000	1,000	1,000	1,000
Concrete Slab	1,200	1,200	1,200	1,800	1,800	1,800	1,200	1,200	1,200

0015 1692/may/UST/6 92

**Table S-1
(Continued)**

Task Number	Group 1 Tanks			Group 2 Tanks			Group 3 Tanks		
	236-1	236-2	236-3	330	700	700	340-1	340-2	340-3
PRE-1990 OPERATIONAL COSTS (\$)									
Ten Cubic System	1,400/yr	1,400/yr	1,400/yr	1,000/yr ²	1,000/yr ²	1,000/yr ²	N/A	1,000/yr ¹	1,000/yr ²
Manual Tank Gauging	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Inventary Control	1,400/yr	1,400/yr	1,400/yr	1,400/yr	1,400/yr	1,400/yr	1,400/yr	1,400/yr	1,400/yr
Tightness Testing	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr
POST-1990 OPERATIONAL COSTS (\$)									
Inventary Control	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr
Tightness Testing	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr	600/yr
TOTAL PRESENT WORTH BENEFIT COSTS	38,208	38,208	38,208	53,715	54,967	29,126	20,334	27,848	32,261
PRESENT WORTH OPERATIONAL COSTS¹	16,615	16,615	16,615	15,906	15,907	15,906	15,624	17,396	17,397
TOTAL PRESENT WORTH COSTS (\$)²	54,823	54,823	54,823	69,621	70,874	45,032	35,958	45,244	49,658

¹ Costs include labor, excavation, and materials.

² Pipelines only.

³ Tank only.

⁴ After January 1, 1993, inventory reconciliation and other tank diagnosis methods that utilize manual stick readings shall not be used where groundwater is less than 20 feet below the bottom of the tank. Manual stick readings shall not be used after December 22, 1998.

⁵ Based on a 15 year period.

⁶ Present worth calculated assuming a 9% interest rate. Inflation not considered.

Table S-2

Cost Estimate to Replace with New USTs
Alternative II

Tank Number	Group 1 Tanks			Group 2 Tanks			Group 3 Tanks		
	236-1	236-2	236-3	330	700	700 ¹	348-1 ²	348-2 ²	348-3 ²
Current Capacity (gallons)	10,000	10,000	10,000	6,000	8,000	12,000	10,000	15,000	20,000
Replacement Capacity (gallons)	10,000	10,000	10,000	6,000	8,000	N/A	10,000	15,000	20,000
TANK REMOVAL COSTS (\$)									
Temporary Fuel Storage	750	750	750	500	600	N/A	750	900	1,200
Concrete Removal	650	650	650	1,000	1,000	N/A	650	650	650
Excavation/Removal/Transportation/Disposal	1,900	1,900	1,900	2,100	2,650	N/A	2,400	2,400	2,400
Soil Sampling/Analysis/Reporting	1,000	1,000	1,000	1,000	1,000	N/A	1,000	1,000	1,000
REPLACEMENT COSTS (\$)									
Labor and Equipment	9,700	9,700	9,700	21,000	21,000	9,700	9,700	9,700	9,700
Overflow/Spill Protection	750	750	750	750	750	750	N/A	N/A	N/A
Tank	15,750	15,750	15,750	12,200	13,650	N/A	15,750	22,500	29,600
Piping and Tie Downs	4,950	4,950	4,950	5,000	5,000	5,000	300	300	300
Leak Detection - Tank and Piping/ATGS	3,000	3,000	3,000	5,650	5,650	5,650	3,000	3,000	3,000
Electrical	1,350	1,350	1,350	2,500	2,500	2,500	1,350	1,350	1,350
Backfill/Compact	1,000	1,000	1,000	2,900	2,900	1,000	1,000	1,000	1,000
Concrete Slab	1,200	1,200	1,200	1,800	1,800	1,800	1,200	1,200	1,200

Table 5-2
(Continued)

Tank Number	Group 1 Tanks			Group 2 Tanks			Group 3 Tanks		
	236-1	236-2	236-3	339	700	700 ¹	348-1 ²	348-2 ²	348-3 ²
OPERATIONAL COSTS (5)									
Inventory Control	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr	900/yr
Tightness Testing	600/3 yr	600/3 yr	600/3 yr	600/3 yr	600/3 yr	600/3 yr	600/yr	600/yr	600/yr
TOTAL REPLACEMENT COSTS	42,000	42,000	42,000	56,400	58,500	26,400	37,100	44,000	51,400
PRESENT WORTH OPERATIONAL COSTS³	9,331	9,331	9,331	9,331	9,331	9,331	13,180	13,180	13,180
TOTAL PRESENT WORTH COSTS (6)⁴	51,331	51,331	51,331	65,731	67,831	35,731	50,280	57,180	64,580

¹ Tank will not be replaced

² Piping will not be replaced

³ Based on a 15-year period.

⁴ Present worth calculated assuming a 9% interest rate. Inflation not considered.

Table S-3
Cost Estimate to Replace with ASTs
Alternative III

Tank Number	Group 1 Tanks			Group 2 Tanks			Group 3 Tanks		
	234-1	234-2	234-3	330	700	700	340-1	340-2	340-3
Current Capacity (gallons)	10,000	10,000	10,000	6,000	8,000	12,000	10,000	15,000	20,000
Replacement Capacity (gallons)	10,000	10,000	10,000	6,000	8,000	12,000	6,000	6,000	6,000
TANK REMOVAL COSTS (\$)									
Temporary Fuel Storage	750	750	750	500	600	750	750	900	1,200
Concrete Removal	650	650	650	1,000	1,000	1,000	650	650	650
Excavation/Removal/Transportation/Disposal	1,900	1,900	1,900	2,100	2,650	3,000	2,400	2,400	2,400
Soil Sampling/Analysis/Reporting	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Backfill/Compact	1,000	1,000	1,000	2,900	2,900	2,900	1,000	1,000	1,000
REPLACEMENT COSTS (\$)									
Labor and Equipment	5,000	5,000	5,000	5,050	5,500	7,900	5,050	5,050	5,050
Concrete, Rebar, and Bumpers	4,000	4,000	4,000	5,000	6,400	10,000	5,000	5,000	5,000
Concrete Coating	400	400	400	650	650	650	200	200	200
Tanks and Pumps	44,050	44,050	44,050	34,000	39,150	52,150	34,000	34,000	34,000
Piping ¹	4,650	4,650	4,650	4,700	4,700	4,700	0	0	0
Electrical	600	600	600	600	600	600	600	600	600
Chain Link Fences	600	600	600	1,000	1,000	1,400	600	600	600
Permits ²	2007 yr	2007 yr	2007 yr	2007 yr	2007 yr	2007 yr	2007 yr	2007 yr	2007 yr
TOTAL PRESENT WORTH COSTS (\$)³	65,545	65,545	65,545	59,445	66,895	86,995	52,195	52,345	52,645

¹ Assumes same piping requirements as outlined in Alternative II.

² Based on 15-year time period.

³ Present worth calculated assuming a 9% interest rate. Inflation not considered.

APPENDIX E. CUSTOMER SURVEY COMMENTS

MARCH - APRIL 1993

The following comments have been compiled from completed surveys. The numbers preceding the comments represent the survey on which the comments were recorded. These numbers were assigned to surveys only upon their return for purposes of results organization and reference. The numbers do not reveal the identity of the respondent.

- 12. - Don't use (station) because use a gas credit card.
 - The parking capacity would be limited and remote.
 - People should utilize the bus from La Mesa instead of decreasing services provided on base.
 - Every means of saving money for the service member needs to be guarded.

- 14. I believe the NEX gas station is a benefit to me two ways
 1) Convenience (close and easy)
 2) Economically (inexpensive gas)
 It would annoy me if the gas station were closed down.

- 15. Been here for two years - parking has been a nuisance but not unsurmountable. Don't believe should sacrifice a good service for more parking.
 (Thesis research on the Navy Exchange Gas Station? Get a clue.)

- 16. Getting rid of a permanent service just for a temporary fix to a problem is not a solution - besides town, when Fort Ord closes where will we go then?

- 17. If Fort Ord closes entirely then NEX privilege must be maintained.

- 19. You forgot about the key - SERVICE. They don't provide it. That's why I go elsewhere for service.

- 22. It's a matter of convenience rather than cost savings. Prices don't seem to be much cheaper than in town.

26. Consider gas station a privilege not a right. What is the point of your thesis? To prove whether or not we need a gas station? You might be better served to do an economic analysis.
28. Neutral on closing as long as Fort Ord remains available.
29. The gas station is another great benefit! Don't take it away.
33. What happens when Fort Ord closes?
35. I doubt people would want to park there. It's too far to walk to classes.
36. I tried to buy gas at NEX once but the attendant was rude and refused to allow me to pump gas at 1701 hours. The station closed at 1700. No service = No customer.
37. The bottom line is if the gas station is closed it would take money out of my pocket!
38. People should get off their butts and carpool, walk, ride the bus or a bike if they feel parking is a problem.
40. Re: Question 8. Benefit vs. right are contrasting terms.
41. Closing the gas station in place of additional parking would be a terrible swap.
43. The service is poor, the employees attitudes are very poor, and the organization of how you pump gas and pay is ludicrous! I get very frustrated everytime I go there so I usually stay away!
44. Exchange gas station does not accept American Express credit card (so I don't use the station).
46. Regarding gasoline quality - This is a stupid question since none of us has any means of testing it!
-I would hate to drive to Fort Ord for gas!
50. The current set-up - pay inside is stupid. Takes too long to pay making for lines. If the exchange can't get its act together then just drop the station. Also, never checks I.D.s, I've seen everyone filling up there!
52. Without the gas station there would be no reason at all to visit this exchange. The exchange is improving but for me the only reason I used it is because I've stopped to get gas.

54. Definitely don't close the gas station and leave the mechanics. That is the worst run, most inefficient and unethical service station I've ever been to!
56. The exchange gas station should keep more islands open. Quite often you have to wait in line to get gas while half the pumps are blocked off.
57. It's convenient - and I can pay by check - That's why I use it.
60. I would like to be able to purchase mid-grade unleaded like at Fort Ord gas station.
61. They need to speed up the cashier service.
64. As far as I can tell, there is no cheaper place in Monterey.
65. Having an exchange gas station is convenient and is also a benefit (privilege) not a right, to members of the Armed Forces.
67. Gas station is a privilege vs. a right.
70. Gas station is not a right but rather a benefit which offsets the fact that service members cannot live in a locale of their choosing. This type of benefit (NEX in general) offsets the higher costs of goods and services at most naval base locations which are normally higher cost of living areas.
74. Keep it open!!
75. Only been in town for 6 weeks so I'm not settled yet on exchange gas.
76. Gas station is good. Prices are usually lower than most places and I like that I can use my credit card at no extra charge.
80. If parking is the reason the gas station would close, than fill in that stupid lake and turn it into a lot!
81. Rights are constitutional, privilege is more commensurate, plus, The gas station has been very convenient and cost effective, but hey, what's the gas station? Let's just do away (with) all benefits and the military too!

- 82. Keep the gas station open.
- 84. Although I don't use the station, many of my friends do, so it obviously has some utility.
- 87. Negative of gas station is poor hours.
- 89. Lower the prices!
- 92. Is this survey about the NEX gas station or parking? Get with the program, we don't need more parking - we need more people to use alternative transportation (ie. walk-less than 2 mile to La Mesa (housing), ride bicycle, carpool, take the bus)!
- 94. If we lose Fort Ord's station - this is the only gas we can get at a discount. If they close their station, you may see more people buying here at NPS.
- 97. We don't need more base parking, we need less cars on base!!! Should also have mid-grade unleaded.
- 98. Question # 8 - Its not a right, but I use the privilege. Bring back the shed so we can pay at the pumps! Its a waste of time to walk into the shop to pay (I know they're trying to get us to spend money inside, but now it takes twice as long to get gas.
- 99. # 8 is a Poorly worded question, a benefit is just that, a benefit not a right. Poorly done survey.
- 107. Get quality Gas! (Shell/Amoco/Texaco/BP)
- 108. "I don't want to park all the way over by the "gass" station. The decision to close the gass station should have no connection with parking problems. The gass station provides a service that has value in itself. You should examine the profitability and value of service provided at the station. This is a poorly written survey all questions should in clude "no response" that is not included as a sample statistic.
 -Question 3. Does not include Diesel (a possible reason why respondents buy elsewhere)
 -Question 5. Does not use consistent units of measure
 -Question 6. is ambiguous; Does don't know mean "I don't know how I feel" or "I don't know about the quality of the gas"?
 -Question 8 is irrelevant. NEX gas station is defined as a privilege not a right. Individual opinions about the

fact don't change it.

-Question 9 Does not have a full range of responses.

-Questions 10 & 11 are reciprocal. If this is a test for respondent consistency they should be separated by other questions.

Overall, these weaknesses in this questionnaire will introduce Bias into your Data that you will be unable to account for in your analysis. Result: Sloppy conclusion and a poor grade on your thesis."

- 109. The right and privilege to have a full service gas station should not be taken away for extra parking. If people would carpool, take the bus or walk we wouldn't have a question of more parking come up.
- 110. Parking is not a reason to give up the gas station. More people should ride the bus or carpool into school.
- 112. I always wonder why the NEX Gas Station verifies your I.D. card after pumping gas. What happens if you don't have an I.D. card? Do you have to give the gas back?
- 114. Would use the base gas station more to prevent closure! Also, sometimes octane 92 or higher is not available on base, so I choose to go off base to ensure obtaining higher octane.
- 115. Instead encourage carpooling and bus riding!! Make bus riding and carpooling mandatory for La Mesa residents.
- 117. With NEX Gas station prices only 1¢ different than at a civilian (station), it really doesn't matter.
- 121. Keep it open!!
- 122. The small number of additional parking places that would be provided would not justify closing the gas station. I don't think of it as a right but it is a great convenience.
- 123. There is plenty of parking on base. But to people who complain its not the lack of parking that's the problem, it's the lack of convenience parking that's the problem. I have never had trouble parking, but sometimes it wasn't very close.

126. Keep the service station open and close the exchange and the repair shop at the service station. The gas station provides a more important service than either of the two. Gas station is a privilege rather than a right.
127. Critical to have better prices than out in town.
128. Why don't you ask a question regarding what percentage of students think you ought to be able to get a graduate degree by doing "b---s--t" research such as this?
130. If prices were less than in town and if the station carried a mid-grade gas, we would have stronger feelings about keeping the station open.
131. There must be better ways to improve parking w/o taking down the gas station - once construction stops won't the problem be alleviated somewhat anyway?
132. Question #8 - It's a privilege!
136. More parking...what? There is no effective program to curtail the cars on campus. lets not be hasty. More people can walk or carpool. We all live too close to have these problems!!
140. Although the gas station is not a right it is convenient to use. It often takes the NEX station longer to reflect price decreases than stations in town.
143. The price charged for fuel is not all that great. They could lower the cost of gas!
144. Pave the whole base. Why are three of your choices for Question # 6 negative?
146. Question # 5- I fill up either at NPS or Fort Ord.
Question # 8- It's a privilege.
147. "Perhaps you could get a government grant next to study why plants grow up towards the sun and not down. What a waste of government and Navy time.
This is another attempt at the NEX to back out of a commitment to service to the customer. Parking is a "smoke screen." I have had never had trouble finding a parking place. Except I'm not afraid to walk across campus. Idiots that complain of parking are usually single passenger types who could either walk to school from La Mesa, catch the bus, or carpool."

154. Question #8- Although I don't see it as a right I believe it is an important compensation benefit.
157. Question #11- Depends on cost.
161. Certain questions need to be answered prior to completing this. Are we to assume the Presidio and Fort Ord stations will remain open? Are gas prices going to remain lower than town prices?
164. Question # 8- Its a privilege.
Question #10- Encourage La Mesa residents to use the bus. Build a multi-level parking garage, Don't eliminate services to solve the problem - I like the cheaper gas and convenience.
165. "What kind of major do I need to get to do a thesis on a gas station?"
167. Question # 8- Unsure.
169. Question # 8- It may not be a right, but it's one of the best benefits we get!
171. If more base parking is desired, encourage people to ride the bus by charging La Mesa residents who feel a need to drive less than one mile.
174. Question # 8 - Its not a right, but it is a benefit. It is very convenient and saves \$ and time. Don't waste the money demolishing a service for a few parking spaces. There are plenty of spaces to park - people just don't want to walk far.
175. My family and I plan our gas purchase with shopping runs to the exchange and commissary (Ft. Ord). Saving 5-10¢ per gallon is more than enough incentive to come onto the base and shop. I very strongly endorse retaining the Navy Exchange Gas station. LCDR, 12 yrs service.
177. Concerning question 6 Quality of gasoline - What brand do we have this month? Can't answer when I don't know brand. + Not much thought was put into this thesis survey, are you really a grad student?
178. If the cost was constantly lower I would strongly approve of keeping it open. Good luck with your thesis!!

182. 1. If Fort Ord gas station closes with the draw down, then we ought to have that service at NPS.
2. A gas station is more important than parking. The parking problem would be solved if La Mesa residents would ride a bike or use the very excellent BUS SERVICE that's available.
183. Question # 8- A privilege not a right.
Closing the station for economic reasons is one thing; to simply make more parking spaces is UNSAT.
184. For Questions 5 & 6. I used to use the gas station all the time, but I developed a knocking in my engine. My dealer's service center recommended changing to a name brand gas because of quality control. When this solved the problem I became very wary about NEX gas.
189. Question # 8- Agree its a right - not so much for the gas but for the cheaper service.

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